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D 8523A

Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.00	Philippines	Peso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.50	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.900
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

PRIVATISATION
Still a case of 'us and them'
Page 11

World News

India election inevitable after Shekhar resignation

A general election in India looked inevitable last night after prime minister Chandra Shekhar resigned and all political parties supported his demand for the dissolution of parliament. The collapse of Mr Shekhar's four-month government came as a result of what senior ministers described as "an unbridgeable gulf of distrust" between the prime minister and Mr Rajiv Gandhi, the Congress party leader. Page 12

Mandela 'hit' blacks
A key witness at the trial of Mrs Winnie Mandela described how she repeatedly punched and whipped him and three other young blacks, leaving them bloodied and in pain. Page 3

Albania worsens
Albania's political crisis deepened after thousands tried to besiege western embassies in Tirana to get visas. Page 4

Mexico smog booths
Oxygen booths placed at strategic points in Mexico City are the latest innovation to protect its 20m inhabitants from "smog attacks". Page 6

Argentina bank 'plot'
Domingo Cavallo, Argentina's economy minister, has accused three foreign banks and several multinational companies of trying to topple him in an "economic coup" last Friday. Page 6

Gatt Airbus panel
The subsidies committee of the General Agreement on Tariffs and Trade (Gatt) agreed to establish a disputes panel to hear a US complaint that Germany is illegally subsidising sales of Airbus aircraft.

Unions demand rise
Nicaragua's government faces stiff opposition to its 80 per cent devaluation of the cordoba, with trade unions demanding wage increases of 600 per cent. Page 6

Soviets debate crisis
President Mikhail Gorbachev and the leaders of most of the Soviet republics were locked in negotiations on how to resolve the country's economic crisis, and its future constitution. Page 4

Ethiopia rebels gain
Rebel successes in Gojam province in northwestern Ethiopia have placed further strain on the embattled government of President Mengistu Haile Mariam, according to diplomats in Addis Ababa. Page 3

Wreckage found
No survivors were reported among the wreckage of a DC-9 airliner, which crashed with 43 people on board in a mountainous region of western Venezuela.

Paris jails IRA men
Three Irish Republican Army (IRA) guerrillas were jailed for five years in Paris for trying to smuggle more than 250 tonnes of weapons from Libya to Ireland. Page 7

Greek union deal
Greece's labour unions accepted a below-inflation, two-year collective wage agreement that will reduce workers' real incomes by about five per cent.

Archbishop elected
George Carey was elected the next archbishop of Canterbury at a secret meeting in the crypt under 800-year-old Canterbury Cathedral, England. He becomes leader of the world's 70 million Anglicans, including 2.5 million US Episcopalians.

EC gets the bird
Magpies, jackdaws, rooks, crows and jsys will become fair game for hunters under European Community proposals to withdraw their protected status.

Business Summary

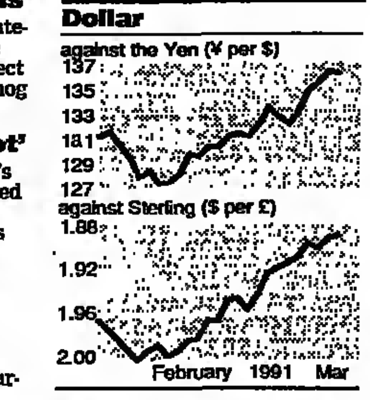
SmithKline Beecham profits 19% up at £860m

SmithKline Beecham, Anglo-US pharmaceutical group, reported 1990 pre-tax profits surging by 19 per cent to £860m ($1.65bn), continuing the run of strong financial performances by pharmaceutical companies.

Trading margins improved from 17 per cent to 20.8 per cent, as SB took advantage of last year's merger of SmithKline Beckman of the US and Beecham of the UK to cut costs with the closure of 17 production plants, 17 distribution facilities and 14 offices. The workforce was reduced by 2,900. Page 13; Lex, Page 12

FOREX markets: profit-taking and the fear of central bank intervention pulled the dollar back after it hit resistance at around DM1.5500. However, at the London close the dollar had improved to DM1.5410 from DM1.5330, to Y136.15 from Y135.35, to SFr1.3445 from SFr1.3350 and was up 1.20 cents to $1.8900 against sterling.

Dollar



STOCK markets: In Frankfurt, the DAX index closed up 54.06, or 3.5 per cent, on volume of DM8.0bn to a new closing high for the year at 1,594.32. Paris came off its highs in extremely active trading, as investors took profits. The CAC 40 index closed 20.38 or 1.1 per cent up at 1,821.01. Wall Street's rise and hopes of short recession in the US encouraged index-buying in Tokyo, with the Nikkei average closing 469.51 up at 26,382.99 on volume of 650m shares. Market reports, Back page, Section II

ALFA-Laval, Swedish industrial, dairy and food processing equipment company, reported profits after financial items up by 18 per ceot to SKr1.6bn in 1990. Page 14

STORA, Europe's largest pulp and paper group, announced a fall in its profits (after financial items) in 1990 to between SKr2.7bn ($474m) and SKr2.8bn compared with SKr3.9bn in the previous year on sales ahead at SKr62bn from SKr42bn in 1989. Page 14

CHARTERED WestLB, Anglo-German merchant bank, raised profits by 21 per cent last year to £15.97m ($30m) up from £13.21m, despite dullness of the UK market. Page 14

BANCO Portugues de investimento (BPI), Portugal's leading private investment bank, reported profits up by 143 per cent to Esc8.5bn ($65m) from Esc3.5bn in 1989. Page 14

GENERALE de Banqne, Belgium's largest commercial bank, posted profits up by nearly 8 per cent to BF8.04bn ($255m) after taxes and minority interests, despite financial deregulation and a depressed stock market. Page 14

BRAZIL will need investments of $16bn over the next four years to boost oil production to 80 per cent of consumption, Infrastructure Minister Ozires Silva said.

SOUTH Africa is moving steadily toward meeting the terms laid down by Congress for the removal of US sanctions and may have complied fully by early summer, administration officials and diplomats said.

Rapid truce in Gulf means US economy will pick up within months, says Greenspan

Fed forecasts early recovery

By Peter Riddell, US Editor, in Washington

THE US economy should pick up in the coming few months following a boost to consumer and business confidence as a result of the rapid end to the Gulf war, Mr Alan Greenspan, chairman of the Federal Reserve, said yesterday.

However, he warned that continued worries about the availability of bank credit and problems in property markets continued to restrain activity. Despite lower interest rates and regulatory changes, the credit crunch had not yet eased sufficiently.

He admitted that "at the moment the economy is still edging lower", but strong export prospects and "stimulative forces in train in the domestic economy" pointed to a pick-up in overall demand over coming months.

With stock/inventory levels "relatively lean" at most businesses, a recovery in demand should show through fairly promptly in a higher level of production.

Mr Greenspan's tone in his congressional testimony was cautiously optimistic. On balance, he said, "the scales appear to tip slightly in favour of suggesting that the current downturn might well prove milder than most of the recessions in the past 40 years".

His comments were in tune with those of the White House, which has also been predicting that the US economy should start to recover soon. However, while some indicators have suggested the decline is slowing down, the current position in the key housing and motor sectors remains bleak.

Mr Greenspan's main worry was continued evidence of restraint in lending by commercial bankers to otherwise creditworthy customers. It was still possible, he said, that these negative factors could cause the contraction to last longer or be more serious than currently anticipated.

Overall, however, he argued that the recession was not becoming more serious than the Fed thought last month, when its policymakers forecast an upturn in activity later this year, with real Gross National Product in the fourth quarter around ¾ and 1½ per cent higher than at the end of 1990.

Among the positive factors he highlighted were the recent sharp drop in petroleum prices and lower interest rates.

Along with the potential boost to confidence from the end of the Gulf war, these factors should lay the groundwork for a some firming in consumer spending. He noted anecdotal reports of "increased traffic in real estate offices and auto showrooms", but cautioned that sales of houses and cars usually surged at this time of the year.

Because a lessening of cost pressures has improved the outlook for prices, the Fed's easing of money policy has been possible without raising new concerns in financial markets about inflation prospects, he argued. Although market interest rates had risen a bit in recent weeks, this should not materially interfere with an upturn in activity.

While the Fed has not presented a formal response to the Treasury's banking reform plan, Mr Greenspan said the governors "very generally" subscribed to the proposals, although there were "minor adjustments and elements which we might quarrel with" (an apparent reference to the reorganisation of regulatory reponsibilities to which the Fed objects).

In particular, Mr Greenspan backed the Treasury's view that a crucial priority is to allow the creation of bank branch networks crossing state lines. Like Mr Nicholas Brady, the treasury secretary, he expressed confidence that a large number of smaller community banks would survive the changes because the main impact would be the merger of larger, more inefficient banks.

● The productivity of American workers fell by 0.8 per cent last year, the first time for a decade that it has dropped for two years in a row. The output per hour of workers outside the farm sector dropped by 0.7 per cent in 1989.

Manufacturing productivity continued to rise, but the 3 per cent growth was the smallest since 1982 with a declina towards the end of the year as the recession bit.

Bush capitalises on Gulf success, Page 6

Post-war optimism lifts stock markets

By Rachel Johnson in London and Karen Zagor in New York

STOCK MARKETS in New York and London scaled new heights yesterday, as hopes of lower interest rates and economic recovery following the Gulf war gripped investors.

On Wall Street, the momentum from Tuesday's stock market rally helped lift the Dow Jones Industrial Average to a historic trading high of 3,002 on very beavy volume. The Dow's record close of 2,999.75 was set in July.

The surge in US equities was sparked by widespread belief thet the US recession has hit its trough, and that the end of the war will spur consumer confidence and economic recovery.

In the UK, tha FT-SE 100 share index shot past the record trading high of 2,463.7, reached on January 3 1990, to a new peak of 2,480.2. Ths index was then up 60.1 points, after a surge of 37.2 points on Tuesday.

The keen appetite for shares from cash-rich institutions – which have until now been staying out of the market because of fears about the Gulf war and the recession – led to severe shortages of stock.

Economists said the market optimism in the US was based on sentiment rather than hard data, since it was too early to measure the economic consequences of the war and post-war business conditions.

The stock market also took strength from comments by Mr Alan Greenspan, chairman of ths Federal Reserve. He said yesterday that the US recession was not deepening, although he added that "at the moment, the economy is still edging lower".

Money is flowing into US stocks from low-yield investments such as certificates of deposit and money market funds. In addition, money managers are adding equities to their portfolios ahead of the close of tbe first quarter at the end of March.

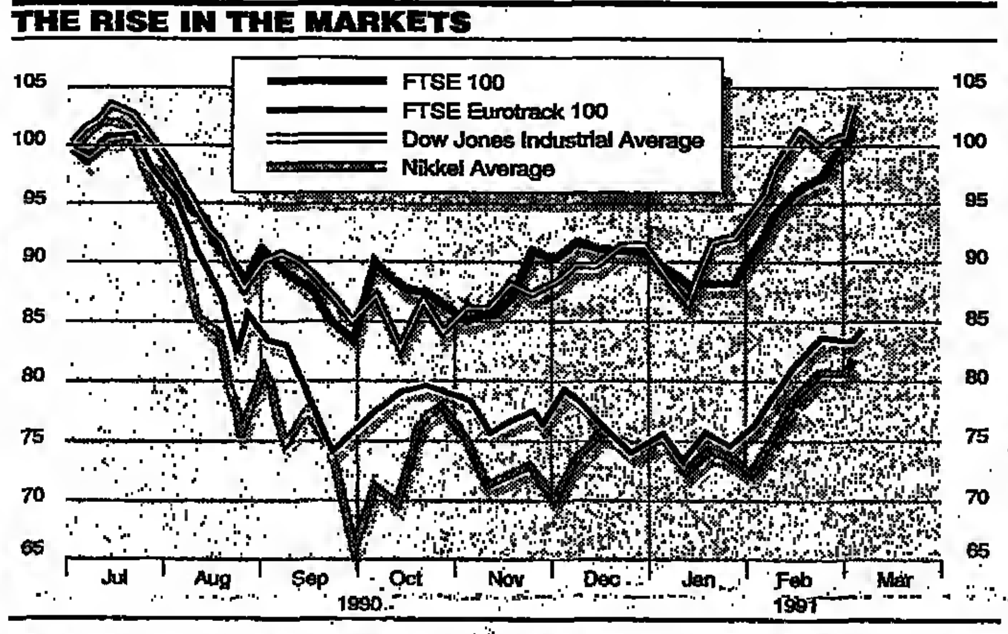
Yesterday morning's gains were broadly based, with the Standard & Poor's 500 climbing 2.62 to 379.34 at 12:30pm and the Nasdaq index of secondary issues adding 5.11 to 478.16.

Across Europe, continental bourses continued the rally which has been driven by highly liquid institutions. The FT Eurotrack index of the main European markets rose by 25.47 points to 1,089.4.

But the most impressive rally was in the UK, where investors are being lured back into the market by prospect of further cuts in interest rates. A cut is expected as soon as the week of the bndget on March 19. Rates on the sterling futures markets yesterday pointed to 11¼ base rates by June.

Disappointing – as opposed to disastrons – company results, a strong Wall Street and the end of the Gulf war have all invigorated trading on London's financial markste.

THE RISE IN THE MARKETS



Stock markets in London and New York have now regained all the ground lost since the start of the Gulf crisis in August 1990, and yesterday reached record levels for intra-day trading. The Dow-Jones Industrial Average passed 3,000 for the first time. Wall Street, like tha UK, believes economic recovery is almost around the corner and, in its case, that the end of the war could be good for the US economy.

Continental stock exchanges and tha Tokyo market have also rallied sharply bnt they are still well below the levels of mid-1990 – and in the case of Tokyo, still 32 per cent down on the December 1989 peak.

Though the German market rose over 3 per cent yesterday, worries about the costs of reunification have tended to hold its recovery behind other markets.

Investors are confident that the reconstruction of the Middle East will furnish plump contracts for UK companies, helping provids the momentum to lift the economy out of recession.

The FT-SE closed off the day's highs at 2,459.9, up 39.8 points. Sterling closed at DM2.9125, aftsr a previous DM2.9150.

Bush view of the economy, Page 6; Lex, Page 12; Markets, Section II

Omni calls in receiver after failing to solve debt crisis

By William Dullforce in Geneva

OMNI HOLDING, the master company of Mr Werner Rey, the Swiss financier, yesterday asked for a receiver to ba appointed after acknowledging it had failed to resolve its debt problems.

Mr Rey, who had resigned from the chief executive post on Monday, was yesterday replaced as chairman by Mr Walter König, a member of the board.

All pending transactions, such as the SFr770m ($575m) sale of a majority stake in Adia, the big employment and services group, and the sale of a 19.5 per cent interest in Harpener, Omni's German subsidiary, to the UK's Lonrho would be halted, Omni said.

The Omni share price plunged yesterday on the Zurich stock exchange to SFr260 from SFr640 on Thursday, when trading in the stock was suspended.

Adia's shares seesawed from SFr930 down to SFr880 to recover to SFr900 at the close.

Omni's decision to call for a receiver came after a meeting on Tuesday between the management, led by Mr Jean-Claude Vagnières, the new chief executive, and four Swiss creditor banks.

The Omni board said that it had decided to seek protection from its creditors under a court-supervised moratorium.

If Omni's application is approved, the court will appoint a receiver and can block Omni's assets for the next four months while arrangements are made to sell assets and pay creditors.

Major investments, such as the majority interests in Ateliers de Construction Mécaniques de Vevey, the Jean Frey publishing group and Harpener would not come under the moratorium, Omni said.

Adia said that the deal under which Asko, the German retailing group, and Mr Klaus Jacobs, Swiss businessman, would buy a 53 per cent stake in it from Omni, could go ahead under court supervision. Asko had already indicated that it wanted to proceed, Adia said.

Sulzer, the Swiss engineering group, of which Omni owns 30 per cent, warned that, under the contract signed when Mr Rey acquired his stake, Omni's Sulzer shares could only be sold with the approval of the Sulzer board.

Background, Page 28

US concerned about Kuwaiti leader's reluctance to return

By Lionel Barber in Washington and Victor Mallet in Kuwait

THE US is becoming increasingly worried about the reluctance of the Emir of Kuwait to return to his liberated homeland.

The administration has started to rely on his brother, Crown Prince Saad Al-Sabah, to fill the vacuum in authority in Kuwait.

This is further evidence of the difficulty the ruling al-Sabah family faces in re-establishing its credibility after six months' exile in Saudi Arabia.

The Crown Prince, who has taken over as chief martial law administrator in Knwait, is "the key person" in the immediate post-war period, a US official said yesterday. The Emir has become more of a "symbolic figure," the official said.

The Emir, Sheikh Jabar al-Ahmed al-Sabah, said to be in a state of shock over the havoc wrought by the Iraqi occupation of his country, has declined to return to Knwait until lsw and order is fully restored.

Although US officials refuse to express direct criticism, there is some irritation at the Emir's cantion. It contrasts with Washington's swift dispatch of Mr Edward Gnehm as the new US ambassador to Kuwait and the visit yesterday of Mr John Major, the Britain's prime minister.

Mr James Baker, US secretary of state, was forced to delay finalising the scheduls for his tour of the Middle East after aides were unable to confirm whether the Emir would be returning to Kuwait or remain in Taif, Saudi Arabia.

Mr Baker will make his trip against against a background of more evidence that President Saddam Hussein is managing to put down the popular uprisings against him in the sonthern cities of Iraq.

The Iraqi leader yesterday named one of his most ruthless relatives as minister of the interior in a move designed to assert his grip on the country in tbe wake of his army's crushing defeat.

Ali Hassan al-Majid, the new minister and one of Mr Saddam's cousins, ordered the gassing of 5,000 Kurds in 1988 and was *de facto* governor of Kuwait for part of Baghdad's seven-month occupation.

A Briton seized hy Iraqi troops in January and jailed in the southern Iraqi city of Basra said yesterday that troops loyal to Mr Saddam had been killing people and displaying the corpses in efforts to suppress the uprising.

Mr Brock Matthews, in a first-hand account of the revolt, was freed on Saturday when the jail he was in was stormed by opponents of the regime. At the start of the nprising, he said, the resistance took complete control of Basra. But government forces subsequently deployed artillery and tanks to crush the rebellion and "burned" Basra.

US military sources in Saudi Arabia confirmed that Saddam's forces had started to gain the upper hand against rebels in other south-eastern centres.

Mr Baker is tentatively scheduled to leave today for Saudi Arabia, Israel, Syria, Turkey and the Soviet Union.

Gulf reports, Page 2; UK war costs, Page 7

CONTENTS

Neutral Iran starts to beckon the foreign investors

Iran's nautrality in the Gulf war makes it easier to secure foreign credit and attract trade, a kay policy of President Hashemi Rafsanjani. Now Tahran hss ambitious aims despila objections from hardliners Page 4

MARKETS

STERLING
New York lunchtime: $1.8915
London: $1.89 (1.902)
DM2.9125 (2.915)
FFr9.9175 (9.9325)
SFr2.54 (2.54)
Y257.25 (257.5)
£ index 93.6 (93.8)

GOLD
New York: Comex Apr $367.5 (366.3)
London: $368.65 (365.3)

N SEA OIL (Argus)
Brent 15-day Apr $19.375 (19.65)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime: DM1.54
FFr5.243
SFr1.3405
Y136.05
London: DM1.541 (1.533)
FFr5.2475 (5.2225)
SFr1.3445 (1.335)
Y136.15 (135.35)
$ Index 62.5 (61.9)
Tokyo close: Y136.3

US LUNCHTIME RATES
Fed Funds 6⅞%
3-mo Treasury Bills: yield: 6.26%
Long Bond: 95$\frac{12}{32}$
yield: 8.27%

STOCK INDICES
FT-SE 100: 2,459.9 (+39.8)
FT Ordinary: 1,977.5 (+31.6)
FT-A All-Share: 1,192.56 (+1.8%)
New York lunchtime: DJ Ind. Av. 2,992.82 (+20.3)
S&P Comp 379.46 (+2.74)
Tokyo: Nikkei 26,382.99 (+469.51)

LONDON MONEY
3-month interbank: close 12$\frac{21}{32}$-⅝% (12$\frac{21}{32}$)
Liffe long gilt future: Jun 92$\frac{7}{32}$ (92$\frac{5}{32}$)

Major presses UK claims in reconstruction

By Victor Mallet in Kuwait City

MR John Major, the British prime minister, yesterday became the first leader from the victorious multinational alliance to visit Kuwait and view the devastation caused by seven months of Iraqi occupation.

He congratulated British troops in the desert and flew to Kuwait City, where he met Sheikh Saad al-Sabah – the crown prince, prime minister and military governor for the duration of martial law – and sought to secure a share of Kuwait's reconstruction business for British companies.

Mr Major's aircraft from Dhahran to Kuwait City was diverted to northern Saudi Arabia because of bad weather and black smoke from Kuwait's burning oil fields, and he flew on by helicopter. "I was very surprised to find the severity of the black clouds around Kuwait," Mr Major said outside the British embassy. "I was not fully prepared for that. They are very bad indeed."

He described the oil slick in the Gulf, caused by Iraq's dumping of crude oil to prevent an allied amphibious landing which never came, as "an appalling sight". He said: "I am delighted to be here and see the work that needs to be done. Clearly there has been a *substantial amount of devastation* and it will take some while to rebuild Kuwait . . . one gets a practical idea of what the liberation was about."

Mr Michael Weston, the British ambassador, said Sheikh Saad had expressed the hope that Britain would win a substantial share of the reconstruction contracts for Kuwait. The Kuwaiti crown prince had told him to get in touch immediately with the minister responsible for municipal affairs and the head of Kuwait's emergency relief programme, he said. "I think if we get 20 per cent we're doing very well indeed," Mr Weston said. "If the Americans are going for 70 that doesn't leave much for the rest of the world." Kuwait is experiencing a surge of pro-British and pro-American feelings since liberation, although most Kuwaitis revere Mrs Margaret Thatcher, Mr Major's predecessor, and would have difficulty recognising the current prime minister.

At his meeting with Mr Major in the Diwan palace, Sheikh Saad thanked the British people, government and armed forces for their help in freeing Kuwait from what he called the "treacherous Iraqi aggression".

Discussions focused partly on the future security of Kuwait, but Mr Major – who was due later to travel to Saudi Arabia for a meeting with King Fahd – said there would be no British standing army in the Gulf.

Mr Weston said Sheikh Saad told Mr Major he knew there was *concern in the west about* possible reprisals against Palestinian residents suspected of collaborating with Iraq, but assured him that everybody would be treated in accordance with the law. Sheikh Saad also said that Kuwait would continue along the path towards democracy, Mr Weston said.

Advertising groups and business travel agents are among those rejoicing that war has ended

Businessmen look to better times but resist euphoria

ALLIED commanders have called on people back home to ring church bells, but the end of the Gulf war has found cautious optimism rather than euphoria among business communities on both sides of the Atlantic.

Among those tinkering at cymbals are advertising companies, whose sector was among those worst hit by hostilities in the Gulf. "Things are picking up. . . ," said Mr Dominic Proctor, deputy managing director of J. Walter Thompson, one of the largest UK agencies, yesterday.

The company recently estimated that the Gulf crisis had depressed the television advertising market by £65m in the final quarter of last year. It now believes that the end of the war will combine with a "likely loosening of interest rates" to ensure a recovery in advertising revenue by the second half of the year.

The view was echoed by Mr Ray Morgan, chairman of Zenith, another big British agency, who predicted that advertising revenue for the newspaper industry would be no worse this year than last.

There are signs too that international business travel is slowly recovering from the slump early in the war. "There is definitely an upturn and it looks as though business travel will soon return to the same level as a year ago," said Mr Colin Rainbow, commercial director for Pickfords Business Travel, yesterday.

Business travel agents also report that the early demand for rail travel to the continent, or flights via charter airlines less likely to be targets of terrorist attacks, have tailed off. Many travellers are switching back to scheduled airlines.

A similar return to normal is expected in the pattern of telephone traffic and the popularity of video-conferencing. Long-distance communication was boosted as travel was restricted.

The airline industry, which suffered the twin effects of escalating oil prices and a traffic slump, remains far from buoyant. If anything, promotional activity has muddied the picture. Sharply discounted travel may have pulled back some customers, but at the expense of profits.

The US Airline Transport Association said yesterday that traffic was "returning back to previous level – but slowly", and pointed out that after the dire experience of the last two months, the base level was now very low.

Among conference and meetings organisers, there appears to be an underlying belief that the recession rather than the Gulf crisis has been the real problem.

Mr Peter Barners-Price, chairman of conference production company Spectrum Communications, said yesterday: "Most companies I talk to are not expecting any U-turn in fortunes until the third quarter of the year at the earliest. Only when we begin to see the recession bottoming out do I think we will see an significant change."

In the US, in particular, there has been much speculation about more consumers being spotted in car showrooms and real estate offices, and even about an upturn in aluminium orders by some appliance makers who have let stocks run down. But the consensus among industry-watchers is that the end of the war will not be enough to end a recession that was under way before hostilities broke out and has more structural causes.

Mr Alan Greenspan, chairman of the Federal Reserve Board, told Congress yesterday that the swift conclusion of the war should lead to a lift in consumer and business confidence but warned that he was still worried about tight credit and problems in the real estate market.

A more sceptical view was provided by Mr Gordon Richards, an economist at the National Association of Manufacturers (NAM). "There is no reason to expect that the end of the war will produce an instant rise in capital investments," he said.

Elsewhere, some French companies and banks were among those hoping to see business pick up in the Gulf as the process of post-war reconstruction gets under way.

According to a survey undertaken by the Bank of France, most companies can be put in two distinct groups: the first are "the more optimistic, who attribute most of the damaging effects they have suffered so far to temporary factors and who are not revising their business forecasts".

The second, noted the bank, are "the more pessimistic, far fewer in number, who consider that the current wait-and-see attitude of many economic players will amplify the current gloom and trigger a marked recessionary process".

German businessmen appear to consider themselves least affected by either war or peace in the Gulf. As one industrialist noted yesterday, most are too caught up with the immense problems of regenerating the eastern part of their country.

About the only factor entering their equation is the effect on companies' export markets, notably the US, where the most optimistic, though not necessarily reliable, forecast would have the impetus of victory pulling the US out of a recession much sooner than was expected a few months ago.

Reports by Jimmy Burns, David Churchill and Paul Abrahams in London; George Graham in Paris; Katharine Campbell in Frankfurt; and Alan Friedman and Nikki Tait in New York.

King fears Iraqi PoW 'difficulties'

By David White, Defence Correspondent

MR Tom King, British defence secretary, yesterday attacked the Baghdad authorities' "lack of interest" in the plight of Iraqi prisoners of war and said it was *still not clear how many* there were.

He cited figures ranging from 75,000 to 175,000 and described the situation as "hugely confused". Many prisoners were in transit or still in the process of being documented.

Mr King added that it could become "a very difficult problem indeed" if a large proportion of the prisoners were unwilling to return to Iraq.

The coalition says it is still holding more than 63,000 Iraqi prisoners after the Gulf war. Most are held in camps in Saudi Arabia.

Meanwhile, 35 allied prisoners of war arrived in Saudi Arabia on a Red Cross flight from Baghdad yesterday.

There were 15 Americans, nine Britons, nine from Saudi Arabia, one Kuwaiti and one Italian.

Two Red Cross aircraft brought the PoWs back from Baghdad. They had earlier flown in with 294 Iraqi prisoners.

FREE: Allied prisoners leave Baghdad by plane for Saudi Arabia

ABB back at work in Kuwait

By William Dullforce in Geneva

ASEA Brown Boveri of Zurich, Europe's biggest electrical engineering group, said yesterday it had already resumed its operations in Kuwait.

ABB said it had been asked by the Kuwaiti state electricity board as a first step to assess war damage to the country's electricity network and to determine what could be repaired and what had to be rebuilt.

The value of ABB products and systems previously installed in Kuwait amounted to about $2.5bn (£1.3bn), the group said. ABB had supplied equipment primarily for the transmission and distribution of electricity and for broadcasting stations.

But ABB could also offer power generating equipment and had interests in process technology, equipment for refineries and other engineering services in Kuwait.

Initially, ABB will run its Kuwaiti operation from Saudi Arabia, where it maintained a workforce of more than 700 throughout the war.

Brussels to soften stance on free trade with GCC states

By David Buchan in Brussels

THE European Commission is expected to propose softer terms for negotiating free trade between the EC and the six states of the Gulf Co-operation Council (GCC), but is still likely to meet opposition from some EC governments and *their petrochemical sectors.*

EC foreign ministers emphasised yesterday in general terms the need, in the wake of the Gulf war, to relaunch deadlocked talks on the creation of an EC-GCC free trade zone. They authorised the EC executive body to re-examine the Community's negotiating stance.

The Commission, or at least those on its foreign policy side, read this as EC governments virtually endorsing a scaling down of Community demands for protection against petrochemical imports from the Gulf that were rejected by the GCC last October. But most EC governments caution that they have sanctioned no such concessions in advance.

The EC and the Gulf states – Saudia Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates – have committed themselves to wiping out tariffs on their two-way trade, totalling Ecu12.7bn (£8.9bn) last year, in an ambitious sequel to their 1989 economic co-operation accord.

But most EC states want to protect tbeir petrochemical industries which are experiencing a bad time.

Leading this protectionist effort have been the Netherlands, Italy and Spain, followed not far behind by Britain.

At present, 95 per cent of GCC states' exports (Ecu5.4bn last year) enter the Community free, because crude and refined oil products carry no duty. Most of the remaining 5 per cent is made up of sensitive petrochemicals which, above a certain level, bear duties from 6-13 per cent.

Most EC states are at pains to protect their petrochemical industries

The EC has proposed phasing these duties out over 8-15 years, while allowing itself the right to slap a duty on any new sensitive product which the GCC starts exporting.

The GCC's chief complaint is over the length of the transition, though EC diplomats point out that the Gulf states get 8-16 years to phase out duties on imports from the Community, and that GCC members must first harmonise their own tariffs in a customs union before reaching a joint arrangement with Brussels. No breakthrough in negotiations is expected in time for the EC-GCC joint council meeting in May.

Separately, the Commission said yesterday it was giving Ecu340,000 to Kuwait for the transport and distribution of baby food, to be administered by the Kuwaiti Red Crescent and the Dutch Red Cross, and Ecu3m in aid for the "civilian population" of Iraq.

Energy body replies to criticism that it drove down prices

IEA ends sale of oil from reserves

By Deborah Hargreaves in Paris

THE International Energy Agency, the body that co-ordinates western energy policy, said yesterday it was withdrawing its emergency plan to make 2.5m barrels of oil a day available to the market. The plan was introduced to deal with any shortage of oil during the Gulf war.

Mr Geoffrey Chipperfield, chairman of the IEA's governing board, called the plan a success, saying member countries had "demonstrated cohesion and sent a reassuring signal to the oil market".

The IEA said that it was too soon to estimate how much oil had been sold as a result of the plan, but that the US, Germany and Denmark had auctioned 600,000 b/d for 30 days from government stocks. Mrs Helga Steeg, executive director of the IEA, said the organisation was still analysing contributions to the plan and 17 countries had released government or commercial stocks.

The IEA plan was criticised by some producers for driving down oil prices, but the agency defended its plan yesterday by saying the markets saw some action had been taken and that in itself migbt bave had some effect. But it was impossible to say what the full effect of the IEA decision had been on prices.

In the wake of the war, some members of the IEA have been pushing for a closer relationship with oil-producing nations. Mrs Steeg said the organisation would be holding informal discussions on the sort of dialogue that can be created between producers and consumers, in the run-up to the ministerial meeting of IEA members in June.

These talks are expected to begin today when the organisation holds informal meetings in Paris. France, which has applied to join the IEA, has led the call for a closer relationship with producers and is understood to be talking to Venezuela – a member of the Organisation of Petroleum Exporting Countries (Opec) – about the issue.

Western oil consumption is expected to remain flat this year at 37.6m b/d after a drop in oil demand of 100,000 b/d in the first quarter to 38.3m b/d, according to the IEA's monthly oil market report.

But Mr Quincy Lumsden, director of oil market developments at the IEA, said he was optimistic that OECD economic growth would recover over the next year and that demand for oil would expand by 1.5 to 2 per cent a year.

Cold weather in Europe at the end of January led to a 9 per cent increase in demand for products such as heating fuel in the first two months of the year, but this was offset by a drop in US consumption of 1.5 per cent in January and 5 per cent in February to 16.5m b/d.

The IEA says oil supplies were slightly lower in January-February at 53.6m b/d as strong refining margins encouraged a greater use of stock. Production by Opec was slightly lower, at 23m b/d, from a level of 23.5m b/d.

Oil stocks have been drawn down from their historically high level at the beginning of the year to leave total western oil stocks in February at 322.3m tonnes – the same as last year.

North America has, however, seen a significant draw-down of stocks to leave overall stocks 4m tonnes below last year's level at 216m tonnes. The IEA attributes this to increased product exports to Europe and low demand.

Taiwanese accused over embargo

THE United Nations has accused some Taiwanese companies of exporting goods to Iraq in violation of the UN trade embargo, the government said yesterday, Peter Wickenden reports from Taipei.

Mr Chiang Ping Kun, deputy economics minister, said the government had received a list from the UN with the names of tha companies and items they had allegedly exported. There was no military equipment involved.

The Board of Foreign Trade had, nevertheless, complied with UN resolntions by suspending the issue of permits for exports to Iraq on October 27, and its records show no direct exports since then. Mr Chiang said an investigation was under way and that any company found to hava exported goods to Iraq directly or via a third country might be temporarily banned from exporting or have its business licence revoked.

Turks seek share of Iraq rebuilding

By John Murray Brown in Ankara

TURKISH companies hope to act as sub-contractors supplying labour and raw materials for reconstruction of Kuwait, but far better prospects exist for business with Iraq.

Turkay could use income from the pipeline through its territory, and through whicb Iraq exported its oil before the war, as security against Iraqi payment default.

Ekinciler Holdings, a Turkisb steel company, bas received orders from C. Itoh of Japan and Samsung of Korea, to supply 100,000 tonnes of steel bar, in anticipation of contracts in Knwait. C.Itob, which supplies Dubai with Turkish steel products, bopes to secure support from the Japanese Export Import Bank.

Later this month, Mr Isin Celebi, Turkey's state economics minister, leads a delegation of companies to Knwait. The contractors' association is due in London to formalise joint-venture or sub-contract opportunities with UK companies.

Mr Yilmaz Gurel, head of the Turkish contractors' association, said practical reasons existed for using Turkish companies, but US and UK companies could get the lion's share of the turnkey business. Turkey is well placed to set up distribution and supply companies, with much rebuilding of refineries and motorways probably going to the original contractors.

Gulf war tarnishes Japanese dream of new global role

Tokyo hoped to be a leader; it has proved to be a follower, and a reluctant one at that, writes **Stefan Wagstyl**

A YEAR ago, Japanese leaders confidently claimed they wera beginning to find an international role for their country commensurate with its economic power.

They boasted thet relations with the US – their one-time mentor – were at last being put on an equal footing. In the post Cold War era, Tokyo was to be Washington's partner.

The Gulf war has tarnished both dreams. Where it boped to be a leader, Japan has been sbown once more to be follower, and a reluctant one at that. Far from improving relations with the US, they have got worse.

Tbe conflict has demonstrated that the gap between economic and political power can be unbridgeably wide. The UK, France and even Israel all bad a greater influence on events than did Japan.

Moreover, the war showed that many ordinary Japanese prefer their country to stay out of world affairs, especially military conflicts. Despite the best efforts of some political leaders, government officials and businessmen to persuade their countrymen of a need for Japan to contribute to the war effort, opinion polls demonstrated most people were against Japan sending even money to the battle front – let alone troops.

There is relief in Tokyo thet the war finished quickly and witb faw casualties on the allied side. But there is also unease about the price Washington may try to exact for Japan's failure to send personnel to the Gulf and the delays whicb bava surrounded its financial cootribotions.

Government officials take heart from President Busb's public thanks for Japan's support in tbe conflict, but they are concerned Congressmen could go on the attack, especially as recession in the US seems certain to generate new ecooomic rows across the Pacific. A Gallup poll published tbis week in tbe US sbowed 60 per cent of Americans regard Japao as America's most critical threat.

The Japanese are bunkering down to avoid any criticism. *Ministers are urging* compsnies not to chase Gulf reconstruction cootracts and allow US and European competitors the lion's share of the work. Mr Noboru Takeshita, a former prime minister, said aid to the region should be in the form of untied loans – to give foreign companies as well as Japanese ones a chance of securing Japanese-funded contracts.

The hope is that witb the passage of time relations with the US will return to normal. *Mr Akihiko Tanaka, professor* of international politics at Tokyo University, says the Gulf war was an "exceptional" event with little bearing on bread-and-butter relations between states. But others are concerned the war's influence may last for years.

Now, as during the conflict, Tokyo's foreign policy is being driven not by an independent assessment of its own interests in the Middle East but by the overwbelming wisb to stay *close to Washington.*

The Nihon Keizai Shimbun, the leading business daily, said this week that Japan should not stand idly by as the Anglo-*Saxons create a new world* order. It also said Japan should take note of the anti-American, anti-colonial and pro-Islamic sentiments expressed in some Asian countries.

But the newspaper fell short of advocating radical change. "Japan's role is to observe the US's lack of economic power and to supplement it. In return, Japan sbould make clear its own unique world view with its emphasis im securing world peace tbrougb non-military means."

The government is preparing a new bill for the creation of a Japanese peace-keeping force to serve on United Nations missions. The bill is similar to one which foundered late last year. But this time it could pass because the ruling Liberal Democratic Party has won support from minority parties.

Exhaustive media coverage of the war certainly brought home the conflict to Japanese. "The Japanese consciousness has been awakened. In future we will have a more active role in international affairs," says Mr Kiyoaki Kikuchi, a former UN ambassador.

But Mr Kikuchi is a member *of an internationally-minded* elite. The opinion polls tell a different story. They show that that support for the US-led forces in the Gulf broadly grew as the conflict progressed. But support for Japan's involvement has been lukewarm. According to a poll publisbed last week in the Asahi Shimbun, a leading daily, 51 per cent of Japanese supported the multinational forces but only 31 per cent were in favour of Japan making a $9bn financial contribution to the coalition.

The constitution exerts a powerful hold on the minds of many Japanese, particularly older people who remember the disasters precipitated by the pre-1945 military leaders. These people fear that any involvement in military affairs would be a step on tha road towards rebuilding Japan's military might.

However, as a Japanese businessmen said in conversation this week, too many people see the constitution as an obstacle to international political activity. Instead they should use the ideals of the constitution as a trigger for action.

A hint of what this might mean in *practice* was givan this week by Mr Toshiki Kaifu, the prime minister, who suggested Japanese aid could in future be cut for countries which exported arms or maintained large armies. Mr Kaifu's idea was quickly shot down by foreign ministry officials who pointed out that supplying aid to China, an undoubted military power, is one of the main planks of foreign policy.

DIET APPROVES $9BN MILITARY AID FOR COALITION

THE Japanese Diet (parliament) yesterday approved a $9bn (£4.6bn) contribution to the US-led multinational forces in the Gulf, writes Stefan Wagstyl. Tha vote followed weeks of political manoeuvring as tbe Liberal Democratic Party worked to secure support from two centrist minority parties.

The money, which ministers pledged before the war broke out in January, will be used mainly to defray US military costs, with any funds left over being put towards Gulf reconstruction. The contribntion follows a $2bn payment promised to the coalition late last year and a $2bn pledge of economic aid to Middle East countries. Japan is also considering further contributions to Gulf reconstruction costs, probably in untied low-interest loans.

The government also proposes to set up a peace corps which could send personnel to United Nations peace-keeping forces. But this has run into criticism from opposition politicians wbo claim that it could lead to sending military personnel abroad – something many Japanese believe would infringe their pacifist constitution.

However, ministers are encouraged that several Asian countries have indicated this week they would not oppose the despatch overseas of Japanese peace-keeping force members. They incinde the Philippines, Indonesia and also South Korea, which harbours bitter memories of Japanese occupation up to 1945.

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INTERNATIONAL NEWS

Gandhi determines to take back power

The Congress leader found Chandra Shekhar too successful. David Housego reports

INDIA'S Congress party last night set what is likely to be the tone of its election campaign when the party spokesman said the lessons of the last year have been that "no party other than Congress can provide a stable government".

After Mr Rajiv Gandhi, the Congress leader, was voted out of power in November 1988, a coalition government under Mr V.P. Singh lasted only 11 months. Mr Chandra Shekhar's administration, formed from a faction that defected from Mr Singh but had Congress support, has lasted less than half that time.

Tensions have been growing over the last two months in part because Mr Gandhi found Mr Shekhar – whom he had helped put in power – an uncomfortably successful prime minister. Politicians, diplomats and businessmen praised his political astuteness, quick grasp and direct talking.

In part, Mr Gandhi had good reason to believe that Mr Shekhar was seeking to undermine him within his own Congress party. Mr Shekhar, for instance, maintained in office officials who under Mr Singh had helped bring charges against Mr Gandhi.

The discovery that two policemen from the Haryana state force had been keeping his house under surveillance – the issue that precipitated the dispute over which Mr Shekhar resigned – seemed to confirm to Mr Gandhi the prime minister's malign intentions.

In recent weeks the Congress party has been divided over whether to strike a long-term alliance with Mr Shekhar, to topple him or to precipitate fresh elections. At the end of December, Congress began a campaign to undermine him by demonstrating his vulnerability. They forced him to dismiss the government of Tamil Nadu, to halt refuelling of US military aircraft on the way to the Gulf, and to postpone the budget.

Chandra Shekhar (right) with his former ally, Congress party leader Rajiv Gandhi, in more friendly days

The Congress strategy has been to emphasise disorder within the government and the country in the hope of persuading the electorate to revert to Congress as the party of stability.

The party most likely to gain strength in the election is the radical Hindu BJP party. The BJP brought down Mr Singh's government in November when it withdrew support over the controversy to build a temple on the site of a mosque at Ayodhya in northern India. Senior party members believe that in an election it will double its parliamentary strength to 155 – making it a possible pivot for a new coalition government.

In sharp distinction to the BJP, Mr Singh has focused his campaign since his downfall nn building an alliance among Moslems, the lower castes and Harijans (untouchables). Mr Singh's logic is that electoral strength lies with the poor. In an increasing polarisation of Indian politics he has taken the lead in opposing the BJP.

Attempting to gather both Hindu and Moslem votes and to maintain itself as an umbrella organisation for all castes, the Congress risks being caught between differing objectives. None the less it remains the largest party in the country – winning on its own 196 seats in the last parliament. With its allies it has a current parliamentary strength of 211.

Technocrats appointed to Thai cabinet

By Peter Ungphakorn in Bangkok

A CABINET consisting mainly of Thailand's top technocrats was appointed yesterday, but military leaders, who seized power 11 days ago kept the defence and interior portfolios.

Mr Anand Panyarchun, the prime minister, who was appointed on Saturday, said he understood that the military would fulfil a promise to release his elected predecessor, General Chatichai Choonhavan, who has been detained at an air force residence since the bloodless coup. But Gen Chatichai could still face investigations into alleged corruption.

Part of the list of new ministers reads like a roll-call of Thailand's leading bureaucrats. Dr Snoh Unakul, former head of the national planning agency, is one of three deputy premiers.

He is joined by five former ministers from the 1980-88 government of General Prem Tinsulanonda, one former central bank governor and two former presidents of the Thailand Development Research Institute, the country's leading independent think-tank.

The government's economic policy is likely to remain market-oriented, with the possibility of further privatisation.

Witness claims Winnie Mandela joined beating

By Patti Waldmeir in Johannesburg

A KEY witness at the trial of Mrs Winnie Mandela yesterday described how she repeatedly punched and whipped him and three other young blacks, leaving them bloodied and in pain.

"She said we are not fit to be alive," Mr Kenneth Kgase, 31, said in testimony before the Rand Supreme Court in Johannesburg, where Mrs Mandela and three others are being tried on charges of kidnap and assault with intent to commit grievous bodily harm.

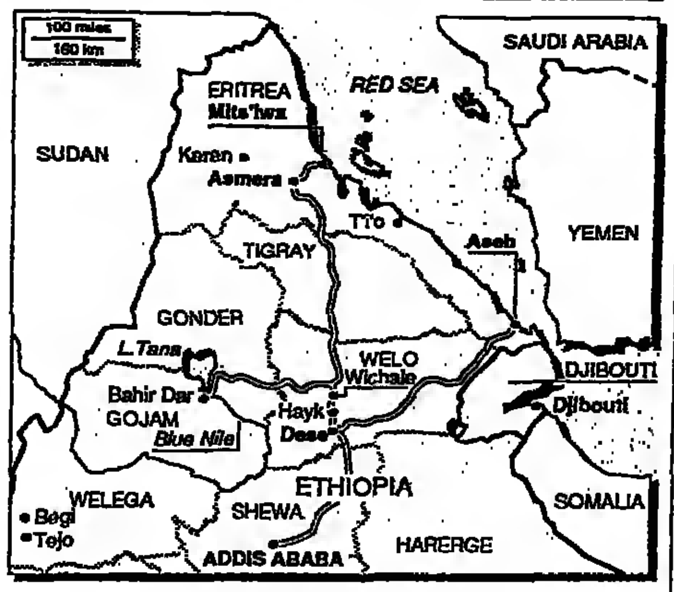
"She punched me below my left eye and then punched me again...she kept on punching me," Mr Kgase said, adding that Mrs Mandela and several of her bodyguards used their fists, *sjamboks* (whips) and karate kicks to assault him, Barend Thabiso Mono, Gabriel Mekgwe and Stompie Seipei. Mr Seipei was later found in a Soweto ditch with his throat slit; one of Mrs Mandela's bodyguards was last year sentenced to death for his murder. Mrs Mandela and her co-accused deny the charges.

Each youth was assaulted by Mrs Mandela and others, he said. While Mrs Mandela's associates were beating him "Mrs Mandela was humming a tune and then dancing to the rhythm," Mr Kgase said.

Mrs Mandela is a senior official of the African National Congress, and her husband is its deputy president. If she is convicted it could cause serious strains between the government and the ANC, which previously ostracised Mrs Mandela but has closed ranks around her since the trial began.

Mr Kgase said the beating followed an interrogation at Mrs Mandela's home. Mrs Mandela accused the witness of having homosexual relations with a Methodist priest, Rev Paul Verryn, and asked him, "why do you protect Paul...she asked me why do I make friends with white people [Verryn is white]." The witness said he knew of no homosexual activities at Rev Verryn's mission.

Mr Kgase had earlier refused to testify, saying he feared retaliation from Mrs Mandela's supporters. He took the witness stand after the judge said he could go to jail for the rest of his life – by serving renewable five-year sentences – if he did not testify. The trial continues today.



Ethiopian rebels *place further* strain on Mengistu

By Julian Ozanne in Nairobi

REBEL successes in Gojam province in north-western Ethiopia have placed further strain on the embattled government of President Mengistu Haile Mariam, according to diplomats in Addis Ababa.

"Mengistu's claims to govern a nation are rapidly slipping away as more and more territory is taken by the rebels," said one western observer. "The danger of the disintegration of the country is rising every day."

The fall of Gojam province to the Tigray People's Liberation Front earlier this week marks an intensification of the military conflict in Ethiopia. It follows several months of relative calm and diplomatic efforts to bring about a negotiated settlement to the civil wars.

The rout of government troops from Gojam does not pose a direct military threat to Mr Mengistu, but rebel control of the province will allow the opposition forces to increase military activity in neighbouring Gondar province.

Earlier this week a TPLF spokesman claimed the rebels had already taken an important air hase and ware approaching Gondar town, the provincial capital.

The TPLF already controls all of Tigray province and large parts of Welo and Shewa provinces. The Eritrean People's Liberation Front control more than 80 per cent of that provinca and have restricted government forces to the garrison towns of Karen and Asmara and the Red Sea port of Aseb. Attacks have also been reported this week by the shadowy Oromo Liberation Front in western Wolega province.

With declining Soviet military snpport and increasing demoralisation of his army, Mr Mengistu will find it almost impossible to recapture the lost ground. His ability to negotiate is also severely constrained.

Peace talks between the government and the EPLF broke up in Washington last month without agreement on an independence referendum for the territory. The TPLF, for their part, have shown no willingness to negotiate and have continued to press their campaign to oust Mr Mengistu and set up a broad-based administration.

Western observers, who have been predicting the imminent demise of Mr Mengistu for several years, are once again prophesying doom for his regime. But Mr Mengistu has shown remarkable resilience in the face of defeat. An attempted military coup in May 1989, just after the fall of Tigray province to the TPLF, failed partly due to the efficient and ruthless security apparatus Mr Mengistu has built up over the past 14 years.

But many officers remain loyal to Mr Mengistu because they see him as the only hope for preserving the territorial integrity of Ethiopia and because they are suspicious of the TPLF and its shadowy political wing, the Marxist *Leninist League of Tigray.*

More likely is a continuation of Mr Mengistu's regime and the protracted guerrilla conflicts with the government slowly surrendering territory except the capital until, as in Somalia and Liberia, the nation state collapses under the weight of rebel assault. Such a future offers no respite to Ethiopia's long-suffering civilians in a country already torn by conflict, wracked by famine and impoverished by war.

Angolan peace talks urged

SOVIET, American and Portuguese officials called yesterday for the two sides in Angola's 16-year-old civil war to resume discussions on concrete proposals for a ceasefire, Reuter reports from Lisbon.

A joint statement released after a two-day meeting in Lisbon said the three delegations had agreed on proposals for a truce, multi-party elections and a single army for what will be a seventh round of peace talks later this month.

"The three delegations urge the Angolan government and Unita to bring to the negotiating table realistic proposals regarding the period within which elections should be held," the statement said.

The delegations' proposals will be delivered to representatives of Unita rebels and Angola's leftwing government.

No exact date was given for the talks, expected to take place in Lisbon.

The three countries recommended that, for the first time, a United Nations observer attend the negotiations to help work on a ceasefire in the war, which has raged since Angola's 1975 independence from Portugal.

New Gatt panel will hear Airbus complaint by US

By William Dullforce in Geneva

THE subsidies committee of the General Agreement on Tariffs and Trade (Gatt) yesterday agreed to establish a disputes panel to hear a US complaint that Germany is illegally subsidising sales of Airbus aircraft.

At US insistence, the committee did not heed the European Community's argument that the dispute should be dealt with under Gatt's civil aircraft code.

However, the US agreed to discuss with the EC over the next 10 days whether or not the subsidies code's standard terms of reference for the disputes panel could be modified for this particular case.

At stake is the exchange rate pledge which the German government gave to Daimler-Benz, when the industrial group took over Messerschmitt-Bölkow-Blohm in a privatisation move in 1989.

Without charging any premiums, the government agreed to provide up to DM2.63bn (£900m) to cover potential exchange rate losses on the sale of Airbus aircraft if the dollar fell below DM1.60.

Washington claims that Bonn has already paid out more than DM390m under the scheme, which it says amounts to an export subsidy of roughly $2.5m (£1.3m) on each aircraft delivered by the four-nation Airbus consortium.

The US demand for a panel to adjudicate the issue may well be only an opening shot in Gatt. In long-running bilateral discussions with the EC Commission, Washington has queried the legality of subsidies of all kinds to Airbus industrie from the German, French, British and Spanish governments, which it claims total more than $19bn.

In a serried defence, the EC argues that the German currency insurance scheme is not a subsidy; is certainly not an export subsidy, since it applies as well to aircraft sold within the Community; and that in a market where Boeing cannot even meet demand for its aircraft there is no evidence that the scheme harms US trade.

EC officials voice surprise at US insistence in addressing the matter exclusively under Gatt's subsidies code. A finding in favour of the US under the subsidies code would not necessarily end the dispute, they argue, since the EC could appeal to a provision under the civil aircraft code which states that in assessing government support, "special factors" applying to the aircraft sector should be taken into account.

Albanians halted outside western embassies

By Judy Dempsey in London and Laura Silber in Belgrade

ALBANIA'S political crisis deepened yesterday after thousands tried to besiege western embassies in Tirana, the capital, and obtain visas to emigrate.

At the same time, the authorities in Yugoslavia, which borders with Albania, are planning the evacuation of Serbs and Montenegrins who hold Albanian citizenship.

Police reinforcements were yesterday called in to avoid a repetition of last June's events in which 5,000 Albanians stormed embassy compounds and demanded political asylum. The authorities eventually allowed them all to emigrate. Mr Arben Puto, head of the recently founded independent Forum for Defence of Human Rights, said no clashes or violence had taken place. But he described the atmosphere in Tirana as full of "distrust and discontent".

"It is a little dangerous," a Western diplomat in Tirana said, adding that the police had so far succeeded in keeping people away from embassy buildings.

The events coincided with fresh reports that young Albanians were continuing to seize boats at the southern port of Vlore, and forcing its crews to take them across the Straits of Otranto to Italy.

"The people have lost faith in the Government. They don't believe they will be free," said Mr Napoleon Roshi, the director of Radio Tirana. He said following recent events, "people have no more patience." Last month, scores of people were arrested after students and worked pulled down statues of Enver Hoxha, who ruled Albania with an iron hand until his death in 1985.

"The economic situation is also very grave. People are ready to sacrifice everything only to go away," Mr Roshi said.

Despite promises by President Ramiz Alia, head of the ruling Albanian (communist) Party of Labour, that reforms would continue, members of the fledgling opposition are not convinced.

They believe hardliners are in control and that if elections are held on schedule, they will not be free and fair. Elections are due on March 31.

"I am very worried about whether the elections will be held on March 31. We need observers here to ensure the elections will be fair," he said.

"We need more support from foreign countries. People from the west must put pressure to have observers and journalists here, which will help Albania," said Mr Roshi.

Slovakian party in split

By Judy Dempsey, East European Correspondent

POLITICS in Czechoslovakia's eastern republic of Slovakia yesterday embarked on a potentially new course after Public Against Violence (PAV) the republic's largest political movement, and the counterpart of Civic Forum in Prague, prepared to split into factions.

The split, which could lead to the creation of a separate political party, occurred after Mr Vladimir Meciar, the prime minister of Slovakia, walked out from a leadership meeting of and founded his own faction: Public Against Violence – for Democratic Slovakia.

At issue is the political direction and future of PAV.

Mr Meciar, a popular politician and pragmatist, and Mr Milan Knazko, head of the republic's office for foreign affairs, had recently accused the leadership of PAV for being too close to Prague, the federal capital and capital of Bohemia. PAV is led by Mr Fedor Gal.

Since last year's free elections, in which PAV won the majority of votes in Slovakia, relations between Prague and Bratislava have been strained over the extent to which power should be devolved to Slovakia.

The federal government agreed to a compromise last year granting Slovakia considerable autonomy in language, media, and some aspects of foreign policy. Slovak and Czech are two separate languages. But the Slovak government remains under pressure from the Christian Democrats which is led by Mr Jan Carnogursky. His party favours ultimately a separate and independent Slovakia.

This stance has won considerable political support from Slovaks for the Christian Democrats. During the local government elections in November, the party gained more votes than PAV.

As prime minister, Mr Meciar has adopted a pragmatic position, recognising the economic costs of outright autonomy, and the consequences it would have for the integrity of the Czechoslovak federal republic.

German banker's money market plea

By Katharine Campbell in Frankfurt

MR Karl Thomas, a member of the Bundesbank policy-making council, has issued a strong plea for the easing of minimum reserve requirements in order to help repair the relatively uncompetitive position of Frankfurt's financial markets with respect to London.

"The question is what costs monetary policy [should reasonably] incur," Mr Thomas, who is also president of the state of Hesse's central bank, said yesterday.

He was referring to the fact that minimum reserves, while one of the German central bank's most jealously-guarded levers of monetary control, were also driving large chunks of D-Mark capital market business abroad.

"The development towards European monetary union is creating more competition between leading financial centres in Europe," he said, noting London's efforts recently to try to assure its pre-eminence by aggressively developing the Ecu market.

Germany, by contrast, might one day see the D-Mark absorbed into a single currency and therefore other attributes of its system had to be taken more seriously if the country was to compete effectively in financial services.

The minimum reserve requirement prescribes that banks maintain non-interest-bearing deposits with the central bank in relation to their liabilities.

It has long been recognised that the growth of a domestic money market has been hampered by the Germans' very tight restrictions.

"The German money market is some way off from being able to play a European role," Mr Thomas told the Hesse banking association last night, pointing out that it lacked breadth, flexibility and information.

Money market instruments trade at very fine margins, so that the extra costs of minimum reserves on banks, in effect, makes these kinds of paper – essential to a sophisticated financial centre – uneconomical in Germany.

While Mr Thomas is one voice among 16 at Bundesbank council level – and is also seen as having Frankfurt's financial centre interests particularly close to heart – Mr Karl Otto Pöhl, Bundesbank president, is scheduled to make an important speech, apparently on those themes, at the end of the month.

Another market Frankfurt is largely missing out on, Mr Thomas noted, was that in bond "repo" facilities.

These enable traders to borrow bonds, greatly enhancing market liquidity. Minimum reserves also impede these arrangements, so that the D-Mark repo market and hence a considerable portion of the D-Mark government bond market resides in London – a fact that considerably irritates the Bundesbank.

The Bundesbank president, Karl Otto Pöhl, awaiting the arrival in Frankfurt yesterday of the Polish prime minister, Jan Krzystof Bielecki, to discuss Poland's foreign debt problems

Brussels opens Korean chip 'dumping' case

By David Gardner in Brussels

THE European Commission has opened an anti-dumping inquiry into South Korean exports to the EC of widely-used memory chips. The investigation comes only a year after the EC secured a voluntary agreement on minimum prices for these chips with the main Japanese manufacturers, and is clearly using those prices as its reference.

Acting on a complaint from the European Electronic Component Manufacturers Association (EECA), the Commission says Korean manufacturers are selling Dynamic Random Access Memories (Drams) in the EC at "a large dumping margin". Drams are temporary storage devices used in large quantities in computers and telecommunications products.

The Commission notes that Korea's EC sales of this chip rose from 300,000 units in 1988 to 4m in 1989.

While the market for Drams, particularly of one megabit capacity, grew very fast during this period, it says Korea's market share grew more than fivefold to 7.6 per cent in just one year.

This was still only about a tenth of Japanese market share in the EC, where Drams are produced by Siemens, Motorola and the UK subsidiary of NEC of Japan.

But EECA officials believe that Korean manufacturers positioned themselves to expand their share rapidly after the January 1990 EC agreement with the 11 main Japanese producers, by undercutting the latter's minimum price undertakings.

"The Japanese have the lowest production costs, and even though the Koreans are not bound by the [Japanese] reference price, they can only have increased their market share the way they have done by dumping," an EECA official claimed.

Last year's agreement with the Japanese Dram manufacturers followed a three-year investigation, but the Commission is expected to move much faster on the Korean case in the light of that experience.

Concern over Chinese building plant imports

CONSTRUCTION equipment producers are becoming increasingly worried by parallel imports of cheap construction plant made under licence in China and sold worldwide for significantly less than their western-made counterparts, Andrew Baxter writes.

At a Rotterdam auction today, a number of Dynapac drum-drive rollers, made in China under licence from the Swedish compaction equipment maker, are due to be sold. They reached Rotterdam via Earthworm, a New York State-based dealer which claims credit for pioneering the overseas sale of brand-name equipment made in China.

Earthworm's trades, revealed in recent issues of the UK magazine Construction Weekly, are defended by Mr Eilat Lev, the company's president. "With a lot of machines being built in various non-traditional countries, this kind of trade is becoming not only a known fact but an acceptable fact," he said.

Dynapac will not comment officially on whether the trades imply that its Chinese licensee, the Xuzhou factory in Jiangsu, has broken its agreement with the Swedish company. But CW says Dynapac claims to have taken its case "to government levels". Mr Lev said Earthworm had been told repeatedly that the Chinese were authorised to make the sales.

Mr Bo Lagergren, president of Dynapac Heavy Equipment, said the company was worried western buyers of the Chinese machines might be upset by their quality, despite saving money on the purchase. That could affect Dynapac's image.

Mr Lev dismisses as "absurd" Dynapac's quality claims. "We have had three years' experience with these machines; they are performing really well."

Sweden agrees launch of commercial TV channel

By Robert Taylor in Stockholm

SWEDEN'S ruling Social Democrats have agreed to support the introduction of a land-based commercial television channel in the country. The decision ends a debate that has lasted on and off for more than 20 years.

Legislation to approve the new channel to compete directly with Sweden's two state-owned public television channels will go to Parliament next month. It is expected to become law by the summer.

The main opposition parties have said they will back the proposal. The Social Democrats' parliamentary group rejected the suggestion advertising should be carried on the state-owned Swedish Radio but it said this decision could be changed in a few years.

The arrival of satellite commercial television has brought a profound change to Swedish broadcasting, which has been a public monopoly. There are three mainly Swedish language satellite television channels broadcasting in Sweden.

TV3 is owned by Scan-Sat part of Mr Jan Stenbeck's Kinnevik group, while TV4 is owned by a consortium including the Wallenberg finance company, Providentia, as well as SPP, the white-collar pension fund and the publishers, Natur and Kultur. There is also the Nordic channel, owned by the businessman, Mr Mats Calgren.

However, Sweden's current economic recession has hit advertising revenue and brought severe financial troubles for the existing satellite television companies.

EC standard for mopeds urged

THE European Commission hopes to strengthen European moped-makers' chances of winning back market share from Japanese rivals, by harmonising standards for motorcycles and mopeds before the end of 1992, writes Andrew Hill.

Commission research has uncovered one weary Italian manufacturer producing 400 different versions of the same motorcycle in the quest to satisfy a variety of regulations across the Community.

There are at least 15 different technical definitions of motorcycles and mopeds within the EC and manufacturing to so many different technical requirements increases European companies' costs by as much as 30 per cent. Manufacturers in Italy, Spain and France account for 89 per cent of EC production.

Mr Martin Bangemann, the internal market commissioner, will put a set of 24 common technical standards to the EC's 12 member-states later this year.

Heavy losses for Labour in Dutch poll

By Ronald van de Krol in Amsterdam

THE DUTCH Labour party suffered heavy losses yesterday in provincial elections which were seen as a barometer of public support for the party's partnership nationally with the Christian Democrats (CDA) of Mr Ruud Lubbers, the prime minister.

An hour after the polls closed, computer projections showed that the Labour party's share of the vote plunged to just 21.6 per cent from 33 per cent in 1987, when the last provincial elections were held.

Electoral support for the CDA was stable at 32.7 per cent compared with 33 per cent four years ago. D66, a small left-of-centre party, more than doubled its share of the vote to 15.8 per cent from 6.7 per cent. Support for the Liberals – until now the main opposition party nationally – dropped by 0.4 points to 15.1 per cent.

If yesterday's provincial poll had been a general election, Labour would have lost 15 of its 49 seats in the 150-seat lower house of parliament. The CDA would have lost three of its 54 seats.

The poor showing by Labour does not pose a threat to the continued existence of the centre-left coalition but it will diminish Labour's voice in the cabinet, giving added weight to Mr Lubbers.

Moscow, republic leaders in talks

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev and the leaders of most of the Soviet republics were locked in negotiations yesterday on how to resolve the country's economic crisis, and its future constitution.

Only eight of the 15 fully-fledged union republics have given their blessing to a draft union treaty. But fundamental disagreements remain on the allocation of power between Moscow and the republics.

Questions such as responsibility for the central government budget, control of the customs service, and control of border security, are unresolved, according to reports of the negotiations.

Representatives of nine republics have been meeting for several weeks at a government dacha on the outskirts of Moscow, with a remit to finalise details of the new treaty, the constitutional foundation of the future Soviet federation.

All three Baltic republics, plus Armenia, Georgia and Moldavia refused to attend. Azerbaijan sent its Moscow representative, in a gesture of partial disdain – and has declined to sign the final version, even with the inclusion of numerous alternative clauses.

The result is a draft with large areas of uncertainty, still to be approved by rebellious republican parliaments, submitted yesterday to Mr Gorbachev's Federation Council.

In addition to the eight union republics whose representatives have signed it, including the Russian federation, Ukraine, Belorussia and the central Asian republics, a further 18 autonomous republics have agreed the draft.

According to Interfax, the independent Soviet news agency, most of the signatories want the document called the "Treaty of the Union of Sovereign States," instead of the simple "Treaty of the Union" which is favoured by Russia.

The draft allows all the union republics to be treated as "fully-fledged members of the international community", allowed to enter into direct relations with other foreign state "without damaging the international obligations of the union".

It allows new republics to join the union, provided all existing members agree, and allows any republic to leave the union "in accordance with the procedure established by the union members".

Powers delegated to the centre include defence, national security, the declaration of war and conclusion of peace treaties, control over the defence industry, foreign relations and foreign trade policies, and space research.

There remain disputes on border security, which the Ukraine says should be a wholly republican responsibility, and on the control of customs services which several republics wish to control themselves.

EC influence over water industry 'set to broaden'

By Richard Evans

THE European Community's dominance over the water industry was going to extend in the next decade from environmental issues to competition, standards, and investment across boundaries, Mr David Trippier, UK minister for the environment, said yesterday.

He strongly backed the benefits of opening up the EC internal market, which would provide opportunities for the most efficient manufacturers and suppliers. Increased competition would reduce costs, and customers would benefit from the greater efficiency, he told the Financial Times European Water Industry Conference in London.

Mr Trippier said the UK industry was poised to benefit from the single market and there was certain to be much more investment in the water industry across national boundaries. Although there was a presumption against further mergers within the UK industry, inward investment by other EC states would not be discriminated against.

Dr Klaus Töpfer, German environment minister, advocated the introduction of incentives for industrial and other water users to consume less water and improve pollution levels. He pointed in particular to the pollution levels throughout the eastern provinces of

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EUROPEAN WATER INDUSTRY

Germany and the rest of eastern Europe.

"We are anxious to ensure that many European companies get involved in helping to sort out the environmental problems of the east," he said.

Much of the first day of the conference was dominated by a debate on the progress of the water industry in England and Wales a year after privatisation. Chairmen of some of the 10 former water authorities, including Mr Dennis Grove of North West Water, argued that the industry was now in better shape because of its ability to fund its huge capital investment programme.

Mr John Bellak, chairman of Severn Trent Water and of the Water Services Association, said none of the hysterical fears hyped up before privatisation had been realised. Investment was higher than ever, water quality was improving, and charges to customers and environmental quality were controlled by independent public regulators.

"Whether it is sensible to spend quite so much on achieving progressively smaller increments of environmental improvement is another question. That has to be decided not by us but by the Government, the regulators, customers and the public."

A contrasting view came from Mrs Ann Taylor, shadow environment minister, who was critical of the way the industry had favoured shareholders' interests since privatisation.

"The Labour Party is deeply concerned about the balance that has been struck between the interests of consumers and the interests of shareholders. Consumers have been faced with price increases above the rate of inflation, while shareholders have benefited from dividend growth way ahead of inflation."

Mr Lakis Athanasiou of UBS Phillips & Drew, giving an analyst's view, questioned the role of the industry's regulators and the impact they could have on shareholders. He believed the industry had made a "major strategic error" by agreeing to the framework under which the regulator can change the financial structure after five years.

Neutral Iran beckons the foreign investors

Scheherazade Daneshkhu reports on Tehran's efforts to secure credits worth $27bn

IRANIAN officials will be in London next week to talk about foreign investment in their country, not a subject they are well known for promoting.

"It was the Iranians who pushed us to hold it," said a representative of Business International, organisers of the conference.

The Iranian government is pressing ahead with a development programme which aims to secure up to $27bn (£14bn) in foreign credit, despite fears voiced by hardliners that this might compromise Iran's political independence.

With the end of the Gulf war, Iran is seeking to carve out a prominent place in the so-called New World Order. Its neutrality during the war won it international approval, making it easier in principle to secure foreign credit and attract trade, a key policy of President Hashemi Rafsanjani's government. He has also sought to settle outstanding financial disputes such as those with the US and France.

Foreign investment will be difficult to secure, however, despite the government's efforts. According to one European banker, Iran still has a high risk profile at a time when international capital markets are jittery about tolerating risk.

Foreign reaction to Iran's efforts remains mixed. French, German, Dutch and Italian export credit agencies are willing to extend medium-term cover to Iran but Britain and Japan will only provide short-term cover.

Sluggish production, an overvalued currency, unemployment (open and disguised) estimated by one government official at 43 per cent for 1988, and persistent inflation have all contributed to economic woes discussed vocally in the press and *majlis* (parliament).

Over the last year, however, there have been signs of recovery. Gross domestic production has grown for the first time in four years to IR3,511bn ($53bn at the official exchange rate) in 1989, though it remains below the pre-revolutionary level of 12 years ago. In some sectors, especially in intermediate goods, industrial productivity has also improved.

Iran's main trading partner is Germany, which exported $1.3bn to Iran in 1989, followed by Japan, Turkey, Italy and the UK.

Iran is keen to tie much of this trade to finance specific projects and to repay the capital through a variety of countertrades, including oil barter and buyback deals.

Primary targets for foreign investment are the petrochemical, oil and gas and heavy industry sectors. France's Société-Generale agreed last year to raise over $2bn in project finance through a pool of international banks for four petrochemical projects.

Greece agreed to study a proposal for a pipeline to pass through the country last month. Tehran is in two sets of negotiations on the plan – one with France and one with the five-country group of Austria, Czechoslovakia, Italy, Romania and Yugoslavia.

Last November, the Islamic Republic News agency reported that the *majlis* allowed the government to borrow $17.5bn from abroad to implement development projects. Loans are a sensitive subject in Iran since Islam prohibits the payment of interest.

The government has also tried to attract foreign investment by setting up three free trade zones on islands in the Gulf, with separate social and legal codes from the mainland. An agreement has been signed with Japan's Kobe steel for a 1m tonne steel plant on Qeshm, the largest of the islands, as part of a $15bn five year plan to build an industrial complex there. Foreign currency is also being sold to tourists and foreigners at free market rates – 20 times better than the official rate.

Joint ventures have also been encouraged. Last year, legislation was passed allowing foreign partners to take up to a 49 per cent stake in joint ventures, higher than the 35 per cent limit introduced by the Shah in the mid-70s.

The rise in oil prices last year pushed oil revenues up by 60 per cent to $19bn last year, which will mean increased opportunities for countries wishing to trade with Iran. The government needs to increase imports in line with its plans to rebuild after eight years of war with Iraq and a massive earthquake last June.

IADB in $300m debt-for-nature deal

THE Inter-American Development Bank (IADB) will invest up to $300m (£157.8m) a year in Mexican debt-for-nature swaps, the bank's president said in Mexico City yesterday, writes Damian Fraser in Mexico City.

Mr Enrique Iglesias said the IADB would start the programme by purchasing more than $100m of Mexico's foreign debt. The Mexican government would spend money saved from the purchase on reforesting parts of the notoriously polluted capital city.

The IADB president said about 20 per cent of the bank's loans went towards water treatment, reforestation, clean-up projects, and other environmental or development programmes. "We want the IADB to be seen as the environmental bank," he stressed.

Mr Iglesias' announcement coincided with a meeting in Mexico City of the 41 member countries of the UN Economic Commission for Latin America and the Caribbean (Cepal). Delegates are in the capital to prepare the region's position for the UN world conference on environment and development, to be held in Rio de Janeiro in 1992.

At the conference, Mr Carlos Salinas de Gortari, Mexico's president, outlined his country's likely stance at the Rio meeting. He said that developing countries could not sacrifice growth in order to conserve the environment. "That would frustrate the legitimate aspirations of the towns and create a socially explosive situation," he said.

However, Mr Salinas made it clear that development based on "degradation of resources" would not be "development, but regression".

The president stressed the world's biggest polluters ought to bear the greatest responsibility for solving environmental problems.

The key suggestions of a seven-point proposal made by Mr Salinas included recommendations that:

● rich countries finance environmental protection in developing nations;
● they reduce trade barriers;
● there be greater regulation of cross-border trade in waste.

In a report prepared for the conference, Cepal revealed that in Latin American and the Caribbean 183m people live below the poverty line, about 40 per cent more than in 1980.

According to the study, slightly less than 60 per cent of the world's tropical forests are found in Latin America and the Caribbean, but these are disappearing at a rate of 1.3 per cent a year.

Enrique Iglesias: seeks reforestation

Bush capitalises on Gulf success

By Peter Riddell, US Editor, in Washington

THE Bush administration has made a specific link between US leadership in the Gulf war and its leading role in international economic affairs.

In a letter to Congress seeking a two-year extension to the "fast-track" system for considering international trade agreements without amendment, President George Bush said: "Events in the Gulf show how much the world continues to look to the US for leadership.

"Continuation of fast-track procedures is crucial to US leadership in the global economy."

The test of whether Congress backs Mr Bush's view in this respect – and how far he can capitalise on Gulf successes – will probably come in late May, since the existing "fast-track" authority expires in June.

Despite its large fiscal and trade deficits, the US has sought to retain a leading role in global economic affairs, both through the Group of Seven co-ordination process and via multinational institutions.

Mr Nicholas Brady, US Treasury secretary, stressed the importance of a leading US role in these institutions earlier this week when he appeared before the House appropriation sub-committee on foreign operations.

Appealing for Congress to approve the proposed increase in the US quota in the International Monetary Fund, Mr Brady said: "The US, as the leading and largest member of the IMF, has a special responsibility to do its part in the organisation. Failure of the US to support the quota legislation would seriously erode the effectiveness and credibility of the IMF."

Congress has always been wary of approving financial support for the multinational institutions, although it has generally done so at the last minute. There is no sign of an immediate willingness to transfer support for Mr Bush's strategy in the Gulf war to approval of his financial requests.

Nicaragua unions seek pay rise

By Tim Coone in Managua

NICARAGUA'S government faces stiff opposition to the 80 per cent devaluation of the cordoba announced last Sunday, with trade unions demanding wage increases of 600 per cent and greater financial aid for agriculture and industry.

The government has agreed to talks and offered a 300 per cent pay increase to public employees. Most prices are expected to rise – some by as much as 500 per cent – as a result of the devaluation; prices in Nicaragua's import-dependent economy are closely linked to the value of the US dollar.

The devaluation was an attempt to improve the competitiveness of Nicaraguan exports and to eliminate the multiple currency system which is operating in the country.

The new cordoba, introduced last July, was worth US$1 and has been maintained at that level by the continuing circulation of the old currency. The cordoba is now worth 20 US cents.

The old cordoba is to be withdrawn from circulation at the end of April.

The government is hoping by then to have some control over the fiscal deficit. This is one of the principal causes of Nicaragua's hyperinflation, officially estimated at 12,000 per cent in 1990.

Mr Antonio Lacayo, minister of the presidency, said the measure was similar to a devaluation carried out in 1988 by the former Sandinista government, when the old cordobo was introduced at the value of 10 to the US dollar.

"However we now have peace and external finance to support the adjustment," he said.

He added that the government had $280m (£146m) to support the economy, as a result of a recent tour by President Violeta Barrios de Chamorro to Europe and the Far East.

Pollution takes its toll of Mexican politics

OXYGEN booths placed at strategic points in Mexico City's downtown area are the latest innovation to protect its 20m inhabitants from "smog attacks".

Every day 12,000 tonnes of pollutants spew into the air; pollution has become a barometer of the ruling party's ability to govern one of the largest and most polluted cities in the world.

There are 35,000 industries established in Mexico City's valley and 2.5m vehicles on the roads. Together they are responsible for the 5m tonnes of pollutants, mainly sulphur dioxide, carbon monoxide, lead and suspended particles, which are released into the atmosphere annually.

Yesterday Mr Manuel Camacho Solis, mayor of Mexico City, outlined the results of the government's $2.5bn programme to combat the city's appalling pollution record. According to the UN Commission for Latin America and the Caribbean, the government's measures have "led to the reduction of 15 per cent of environmental pollution" in the valley of Mexico.

However, according to Mr Sergio Reyes Lujan, under-secretary of the Ecology Ministry: "Mexico City has the highest levels of ozone in the world; during 303 days last year ozone levels were above the norm."

Local ecological groups blame the industrial concentration and political centralisation encouraged by Mexico's ruling party, the Institutional Revolutionary Party (PRI), throughout its 61-year history. According to official sources, some 36 per cent of Mexico's gross national product is generated in the capital. Even Mr Patricio Chirinos Calero, secretary of the Ecology Ministry, points to the "inertias of centralisation" as one of the main causes of Mexico City's smog.

Although tax incentives are available for industries to move away, industrialists are reluctant to leave the capital because suitable infrastructure and services are almost non-existent elsewhere.

Mr Reyes pointed out that of the 82 companies which his ministry has shut down in the city over the past year, only 11 have relocated elsewhere. However, these companies left of their own accord: "They are not part of a decentralisation programme," said Mr Reyes.

Efforts to promote decentralisation have, for the most part, fallen on deaf ears. The 1985 earthquake seemed to provide an opportune moment for the government to decentralise some of its organisations. But the headquarters of Mexico's navy are still landlocked in the city, as is the massive Marzo 18 oil refinery.

Migrants from poverty-stricken rural areas are attracted to Mexico City by the heavily subsidised transport, housing, water, electricity and even food. "The government has encouraged centralisation," said Mr Homero Aridjis, founder of the ecological organisation Grupo de los Cien. "The PRI uses migrants to get votes... it can unfurl the social banner whenever it needs to."

President Carlos Salinas de Gortari stressed Mexico's environmental problems in his presidential address in 1988; the Integral Programme to Fight Atmospheric Pollution was enforced in January 1991 with a budget of $2.5bn (£1.30bn). Mr Reyes claims this is the largest sum of money set aside by any city to control pollution.

Rebecca Doulton reports that Mexico City is spending $2.5bn to control toxic emissions

Almost $1bn of the budget has been allocated to improve the quality of fuel. Mexico City's altitude of 7,500ft above sea level means there is one third less oxygen for adequate fuel combustion, which in turn exacerbates the ozone levels which blanket the city for 85 per cent of the year.

In winter, toxic emissions are trapped by layers of cold air, creating dangerous thermal inversions.

Petroleos Mexicanos, the state oil corporation, will have to ensure a steady supply of the lead-free petrol Magna Sin and reduce sulphur levels in both fuel oil and diesel.

The programme, which hopes to reduce pollutants by almost 40 per cent over the next four years, will also target public transport, encourage industries to replace fuel oil with natural gas or diesel and reforest outlying areas.

Mexico City's car owners – blamed for almost 80 per cent of the contamination – have been drawn into a punitive programme which bans them from using their cars one day a week. *Hoy no Circula* (no driving today) was designed to take 400,000 cars out of circulation each day. But a loophole used by many Mexicans was to buy an extra car in response – 200,000 cars have been sold in the metropolitan area since 1990.

Ecological groups in the city believe that Mr Camacho (who may well be a presidential candidate in the 1994 elections and who needs to gain support), may be putting votes and economic growth before environmental health. The PRI suffered unprecedented losses in the 1988 general elections and lost control of the capital to opposition parties.

The city's rulers may be buying time at a high price. In the words of Mr Aridjis: "Today's ecological problems will be *tomorrow's political ones.*"

Cars take much of the blame for Mexican pollution

Argentine minister alleges plot by foreign banks

MR Domingo Cavallo, Argentina's economy minister, has accused three foreign banks and several multinational companies of trying to topple him in an "economic coup" last Friday, writes John Barham in Buenos Aires.

Mr Cavallo claimed the plotters, who have not been named, attempted to start a run on the currency by placing massive orders for US dollars on the currency market. The central bank sold $251.8m (£132.5m) – more than 10 per cent of its liquid reserves – to defend the currency.

Mr Cavallo said the attempt failed when he ordered a tightening of monetary policy, forcing the buyers to disgorge the dollars on Monday, at a loss of between $40m and $50m.

An Economy Ministry official said the reason for the purchases was "that some sectors are losing money with our reforms and want to destabilise the minister".

● Argentine prices rose 27 per cent last month, the highest monthly inflation rate since the March 1990 increase of 95.5 per cent. In January, inflation was 7.7 per cent.

Britain faces rising Gulf war costs

By David White, Defence Correspondent

BRITAIN'S military operations in the Gulf war have cost the country £1.75bn and the total is expected to rise further, Mr Tom King, defence secretary, said yesterday.

The costs, which were disclosed as Mr King gave evidence to the House of Commons defence committee, do not include the cost of replacing lost equipment or ammunition used in the conflict.

Cash contributions pledged to Britain by several countries, including Kuwait, the United Arab Emirates, Germany and Japan, amount to about £1.5bn.

British defence chiefs have, meanwhile, embarked on a "very extensive exercise" to incorporate lessons from the Gulf war into their plans for reducing the size of the country's armed forces, Mr King said.

He told the committee of MPs from all parties that the work involved all three services and would address issues including new equipment needs and logistics.

Mr King provided figures for UK casualties in the region since Iraq's invasion of Kuwait last August. A total of 36 had died, including 17 killed in action. Eight more – five from the RAF and three from the army – were still missing. There were 43 wounded, nine of them seriously.

Considering the scale of the operation, with almost 45,000 British troops involved, Mr King described the figures as "a very remarkable achievement by our commanders in the organisation and implementation of the campaign."

Once a ceasefire was firmly established, UK ground forces could start returning within "a couple of weeks", he said.

Britain foresaw no permanent stationing of ground forces in the Gulf. But the navy would continue to be needed for the present and there might be an argument for keeping an RAF presence in the short term, with an offensive capacity to act as a deterrent.

There was likely to an increasing requirement for British training assistance in the region, and the UK would consider carrying out some of its own military training there, Mr King added.

He praised the performance of the Challenger tank – Britain's competitior to the US M1A1 tank – and other equipment used by the British army, but refused to be drawn on the chances of the new Challenger 2 being purchased in preference to an overseas tank. The government's long-awaited decision was postponed because of the war.

Mr King said one of the lessons from the Gulf war that the UK needed to study was the relative power of tanks and battlefield helicopters.

● Officials responsible for Britain's Trident nuclear deterrent programme came under pressure yesterday over concerns about the safety both of the new strategic weapon and of the reactors powering the four planned Trident submarines.

Ministry of Defence (MoD) officials told the Commons defence committee they were confident that the British warheads to be fitted on US-supplied Trident missiles would be proved safe.

Their comments follow a recent report by a team of scientists to the US Congress which warned of the possibility of an accidental explosion in the third stage of the Trident missile, around which the warheads would be mounted.

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Lords attack 'hands-off' approach to industry

By Michael Cassell, Business Correspondent

BRITISH-OWNED manufacturing industry could almost disappear if the government does not abandon its "hands off" attitude and help stem its decline, according to a cross-party Lords committee.

In an unequivocal attack on government policy towards manufacturing, the committee on science and technology says industry's failure to compete has grave implications for the country's prosperity.

The committee from the Lords, the UK's unelected second chamber, is chaired by by Viscount Caldecote, the former chairman of 3i, the venture capital group.

It includes Lord Kearton, the former chairman of Courtaulds, and Lord Gregson, a director of Fairey Group.

It claims that lack of government commitment, support and assistance to the manufacturing industry is deeply damaging to the economy and the national interest. Initiatives taken so far "have been inadequate and taken piecemeal".

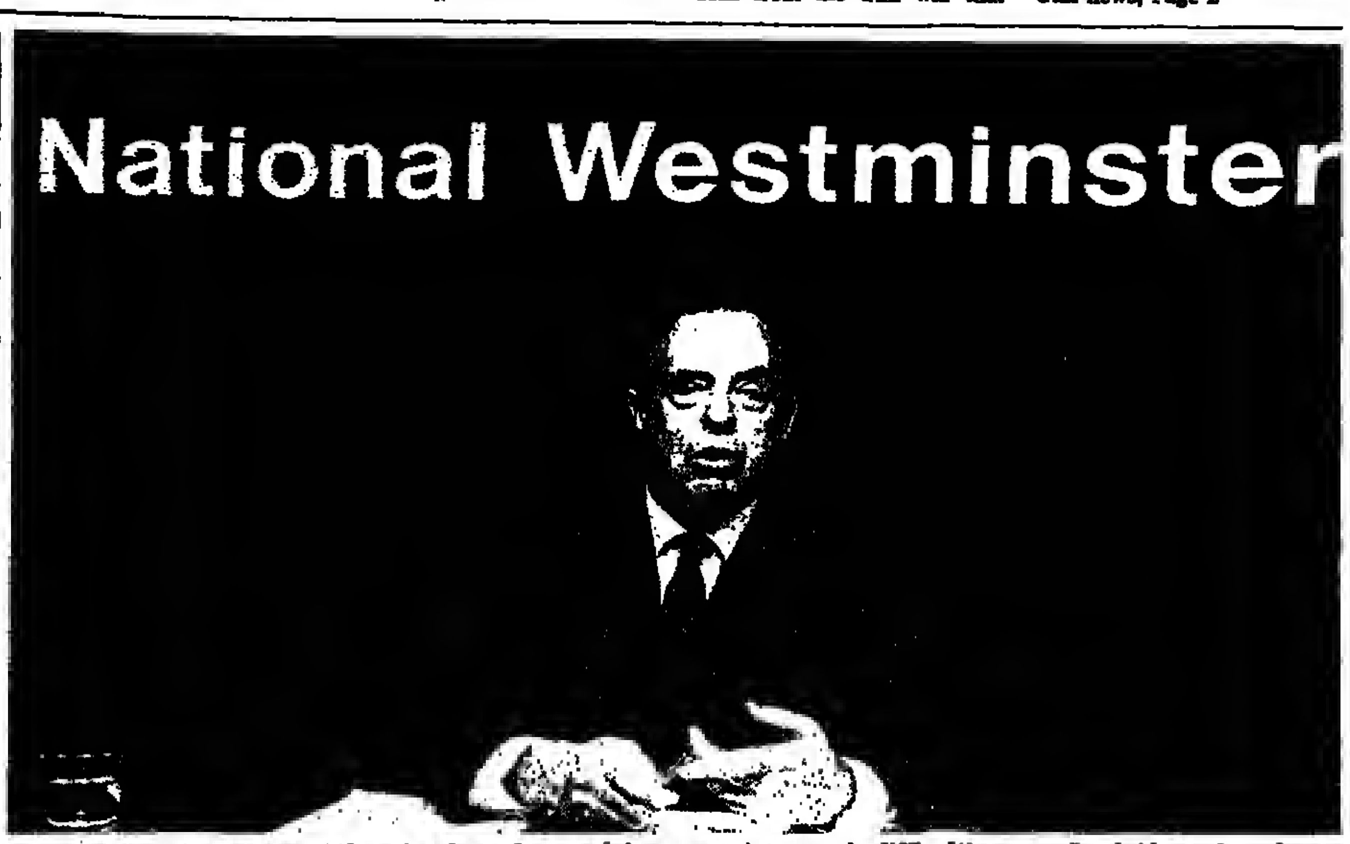
The committee firmly rejects the idea that market forces alone can be left to determine the fate of British industry.

The report, *Innovation in Manufacturing Industry*, does not advocate a return to large-scale state intervention, but supports the forging of a constructive relationship between government and industry.

The committee says rapid growth in imports and the consequent deterioration in the balance of trade in manufactured goods can only be reversed by a prolonged and orchestrated programme of innovation, in which Britain has a consistently poor record.

It adds: "The most urgent need is for a change in our culture. Unless we revise radically some of the attitudes which permeate our society we will continue to be neglected. Antipathy to manufacturing industry runs deep in our society. Industry is held in low esteem and so attracts too little of the country's talent and other resources."

The report says industrial innovation has been undermined by the cost of capital, takeover activity and the weakening of the Department of Trade and Industry.



London's future as a financial centre depends on solving present economic difficulties, says Lord Alexander, above

Alexander predicts further economic gloom

THE future of London as an international financial centre depends on Britain's ability to solve its economic problems, the chairman of National Westminster Bank told MPs yesterday, writes David Barchard.

Lord Alexander, speaking before the House of Commons Treasury and Civil Service Select Committee, warned that the economy was still declining and said he believed that the upturn would not begin until after the middle of the year.

Asked how far his bank would go to help corporate customers in difficulty, Lord Alexander replied: "Where we sensibly and commercial could do so, we would seek to help a business through." He added that there was limited scope for the government to assist companies in difficulty. But on corporation tax, the government could consider whether sufficient allowance had been made for inflation.

He said companies must form their own judgments on the amount of borrowing they could sustain.

As far as personal customers were concerned, NatWest had not experienced excessive levels of debt on its credit cards. "There is a relatively small level on both cards and no fundamentally different [lending] policy is called for," he said.

Lord Alexander told the committee that he did not believe that a credit crunch was not occurring. "We have not changed our criteria for lending," he said.

Airport workers told to expect job losses

By Paul Betts, Aerospace Correspondent

BAA, the former British Airports Authority, has imposed a freeze on staff recruitment and warned of jobs cuts in its 11,000 strong workforce.

But Sir John Egan, BAA's chief executive, said the company hoped to achieve the job cuts without resorting to compulsory redundancies.

The company is not setting any precise targets for the number of jobs it will shed. It said last night that the aim was to introduce greater efficiency and productivity in its operations.

Sir John also said in an article in the company's internal magazine that there would be a management streamlining throughout all parts of the group.

"This programme will be completed during March and will provide a much leaner and more effective management style," he said.

The company is introducing a voluntary early retirement scheme and is limiting overtime to only essential operations.

BAA, like the rest of the aviation industry, has been hit by the slump in air travel caused by the recession and the Gulf war.

Its latest traffic figures released yesterday showed a 23 per cent fall in the number of passengers using London's two main airports of Heathrow and Gatwick during the last two weeks of the Gulf war compared with the same period last year. Sir John also said there had been a decline in the occupancy rate of BAA hotels.

He added that the company's income was being reduced by the travel slump at a time when the group was paying for the cost of opening new facilities like the new £400m Stansted terminal, north-east of London, and Gatwick's North terminal.

While there would be an inevitable impact on the company's short term profitability, he anticipated a "bounce-back" in activity following the end of the war. But he said the latest downturn was "worse than anything that we have experienced before".

● A £1bn plan to build a new international airport alongside the River Severn in Wales was unveiled yesterday.

Proposals to build the complex are being drawn up by a consortium of companies with full backing from Gwent County Council.

Talks have been taking place for the past two years on plans for Severnside International Airport near Newport, Gwent, which would handle 15m passengers a year on 100,000 flights.

BRITAIN IN BRIEF

Big Far East deal won by UK venture

A £400m contract to build a hydro-electric power station in Malaysia has been awarded to an all-British joint venture between Cementation International and Balfour Beatty.

It is one of the biggest single construction contracts to be awarded in the Far East and took two years to negotiate, according to the British companies.

Cementation, part of Trafalgar House, the construction, property, shipping and hotels group, and Balfour Beatty, part of the BICC engineering group, have been awarded the contract by the Malaysian Electricity Authority which is upgrading the country's generating capacity.

The project, due for 1996 completion, involves the design and construction of a 74-metre-high dam and 600MW underground power station.

Stansted wins French boost

Air France, the French state airline, is to transfer its London-Bordeaux flights to Stansted airport, designated the capital's third airport when a £400m terminal opens next week.

The airline will switch its twice-daily service from Heathrow, London's busiest airport, from April 1.

At present, about 1.2m passengers a year use Stansted, north of London. The opening of the new terminal is expected to increase passenger numbers by up to 30 per cent in the first year.

Clampdown on IRA sponsors

Prominent businesspeople and accountants who raise or launder money for the IRA and other terrorist groups risk having their property and assets seized under sweeping new powers approved by parliament.

Mr Peter Brooke, the Northern Ireland secretary, revealed that "persons of substance" were increasingly using sophisticated techniques to provide terrorism with its life-blood – finance.

The money was used to buy weapons and materials, and to pay so-called "volunteers" to plant bombs.

Mr Brooke successfully called for the addition of new provisions to the Northern Ireland (Emergency Provisions) Bill requiring courts to impose confiscation orders on "terrorist financiers".

MPs criticise Takeover Panel

The Takeover Panel's role in Guinness's bid for Distillers was criticised by members of the all-party Commons Trade and Industry Committee.

MPs at a committee hearing expressed annoyance over the inability of the City of London's takeovers watchdog to answer why it did not censure Guinness when it reneged on its undertaking to appoint Sir Thomas Risk, then chairman of the Bank of Scotland, as chairman.

The panel has powers to deny companies access to London's financial markets if they knowingly breech the Takeover Code.

Edinburgh wins opera house

A 30-year battle to give Edinburgh an opera house to complement its international festival appears to be on the point of being won.

The ruling Labour group on Edinburgh district council has agreed to the purchase for £2.5m of a defunct theatre now being used as a bingo hall. The building will require an investment of £11m to convert it into an opera house.

New objectives for Green Belts

Relaxations to the "Green Belts" around Britain's biggest cities to encourage more leisure activities and the development of derelict land are to be proposed soon by the government. Green Belts are designated areas where new development is not permitted.

Michael Heseltine: Green Belts are vital to south-east

Mr Michael Heseltine, environment secretary, said these new objectives did not mean any general relaxation of the tight restrictions on development in the Green Belts, which he praised for making "a vital contribution to the quality of life in the south east".

Mr Heseltine also disclosed a strong interest in new initiatives to redevelop the large swathes of derelict land east of the London docklands, which he described as an "under-used asset".

Arms smugglers sent to prison

Three IRA men were sentenced to five-year prison terms in France for their part in smuggling arms from Libya to Ireland.

Gabriel Cleary, James Coll and James Doherty, arrested in 1987 on the freighter Eksund with the world's largest seizure of illegal weapons – including 20 surface-to-air missiles – are likely to be freed in just over a year, having already spent more than three years in prison awaiting trial.

Poll tax may see £1bn shortfall

More than one-third of those on the poll tax register in England and Wales had fallen behind in payments or paid nothing at all, according to a survey by the Chartered Institute of Public Finance and Accounting. The controversial poll tax, introduced in England and Wales last year, pays for local services.

The survey predicted that up to £1bn in poll tax might be uncollected by the end of the local councils' financial year next month.

It indicated that councils would achieve an overall collection rate of about 75 per cent, compared with a typical figure of 85 per cent for the old rating system.

Forensic test was 'unsafe'

A former government scientist retracted an earlier contention that traces found on the hand of one of the Birmingham Six were almost certainly caused by explosives.

The so-called Six were sentenced to life imprisonment for the 1974 bombing of two Birmingham pubs.

Giving evidence at the men's appeal hearing at London's Old Bailey, Dr Janet Drayton admitted that other factors – including swabs taken from a smoker's hands – could have given the same result for nitroglycerine.

School reform could be costly

Conservative proposals to encourage all schools to opt out of local education authority control would increase the burden on taxpayers, threaten quality, and create greater bureaucracy, the Association of Metropolitan Authorities has warned.

Public spending would rise by up to £4.8bn and local authorities would have to increase their community charges as a result of the opting-out policy, it said.

Schools that opted out would boost the bureaucracy at the Department of Education and Science, which has no established monitoring and evaluation procedures for them, he said. Quality would be threatened as a result.

Nuclear industry pioneer dies

Lord Penney, who died on Sunday at the age of 80, was responsible for the design, testing and fabrication of Britain's first nuclear bombs.

He was the last survivor of a technical "troika" – which also comprised Christopher Hinton and John Cockroft – who organised and managed nuclear weapon design, production and research for the post-war Labour government.

Penney: nicknamed father of Britain's atom bomb

Pipe-puffing Bill Penney, as everyone knew him, was one of Britain's best-known scientists in the aftermath of the second World War. His achievements in the early 1950s earned him a knighthood.

Investors rush to buy shares in electricity generating companies

By Clare Pearson

THE share offer for the two electricity generators of England and Wales closed comfortably over-subscribed yesterday after private investors had rushed to invest against a background of surging prices on the stock market.

Estimates were that the public had asked to buy at least four times the £600m worth of shares in National Power and PowerGen initially laid aside for them.

More than 1.5m forms had been counted ahead of yesterday morning's deadline. Receiving banks estimated the final number of applications would reach 1.8m once counting was complete.

The average application appeared to be for 830 shares worth just under £1,500 on a fully-paid basis.

Mr John Wakeham, energy secretary, said yesterday: "This is a very, very good response. We were looking for about one million retail investors and anything over that is a great success."

Clawback arrangements – whereby shares are taken away from overseas buyers and UK institutions and sold instead to individuals – are certain to be triggered, pushing the proportion of the £2.16bn sale allocated to the public to 48 per cent. Even so, shares will have to be rationed to cope with demand. Advisers have indicated this will not leave people with parcels of less than 200 shares.

Until all the forms have been looked at, the government will not know whether all will get shares, but advisers would prefer to conduct a ballot than reduce allocations to very low levels.

Although the public's response was lower than in the regional electricity companies sell-off in November, the London stock market's strength this week had apparently prompted many people to make late applications for shares.

Some of the shares left over for overseas and UK institutions will now be put into a tender. Before tomorrow afternoon, underwriters will have to submit bids at prices above the 100p partly-paid price, with stock going to the highest bidder.

I.G. Index, the financial bookmaker making a form of advanced market in the shares, has quoted National Power at 122p and PowerGen at 125p compared with the 100p partly-paid price.

Explosive gas market threatens new power projects

Differences over pricing policy may prove costly for Britain's energy companies, writes David Thomas

THE crisis in the British gas market, which has placed a question mark over billions of pounds of power station projects, was long in the making, but quick to explode.

It finally burst last Friday when Mr James McKinnon, the gas regulator, took the unprecedented step of ordering British Gas to sign two large power station deals, just 24 hours before it bumped up prices for power station gas by 35 per cent.

Not only did Mr McKinnon's intervention bring relations between British Gas and its regulator to a new low, it also highlighted the threat posed by the price increases to another newly privatised industry: electricity supply.

Gas has emerged as the fuel of choice for electricity generation in the 1990s because it is cheaper and cleaner than traditional fuels. Almost all the new stations planned by the established generators, National Power and PowerGen, and by companies hoping to enter the privatised electricity market, are gas-fired.

British Gas's 35 per cent price increase threatens to make many of these projects uneconomic, derailing not just years of planning, but also the government's hopes for the early emergence of a more competitive electricity market.

And, remarkably, British Gas is happy to admit that its actions were deliberate.

"Unless we took some speedy action, the situation would have spun out of control," says Mr Colin Playle, British Gas's director of industrial and commercial marketing.

The alternative to choking off demand for power station gas was too dire for British Gas to contemplate: as early as next year, the UK's near monopoly gas supplier would have lacked the gas to supply all its traditional domestic and industrial customers.

British Gas has long been aware of the upsurge of interest in gas-fired generation. In the past three years, it has heard of 70-80 enquiries about potential sites for gas-fired projects.

But British Gas also reckoned that few companies would persevere with the horrific complexities of independent power projects. As recently as last August, British Gas forecast internally that it would supply just 600m therms to power stations in 1994-95, when most early projects would come on stream.

Late last year, however, British Gas began to revise its estimates. In November, the company was forecasting that it could be more than 3bn therms short of meeting total UK demand in 1992-93. One reason was a jump in projected power station demand from 600m to 1.6bn therms.

HOW THE CRISIS DEVELOPED IN THE GAS MARKET

Nov 1990: BG forecasts "unmanageable" gas shortfall in 1992-93
Dec 1990: BG buys extra gas from Brae field
Jan/Feb 1991: Surge in interest from new power stations
Feb 19: BG decides not to supply most new stations
Feb 22: BG phones electriticy companies to tell them prices will go up
Feb 25-March 1: BG signs three power station deals in hectic scramble
March 1: BG ordered by regulator to sign two further deals
March 2: BG increases price for power station gas by 35 per cent

British Gas regarded the 3bn therm shortfall as "unmanageable," according to Dr Bob South, the company's director of strategic planning. "By December, we realised we would have to make contingency arrangements."

British Gas bought a third of the supplies from the North Sea Brae field. While this helped to close the supply gap, it was done at a price: "It raised the going rate at the beach," says Dr South.

The higher prices paid for Brae gas had a crucial impact on the companies contemplating power station projects, British Gas now thinks. Suddenly, the going rate for new North Sea gas began to look expensive compared to the fixed price schedules published by British Gas.

The gas owned by North Sea producers other than British Gas began to look less attractive, British Gas believes.

These other producers have signed contracts to supply about 3bn therms a year to five new power stations, but in January and February those power station projects without committed gas supplies switched their attention to British Gas.

In early February, British Gas's forecasts of its potential annual commitment to the power station market rose from 1.6bn to 2.7bn therms. The crunch came when a large purchaser told British Gas that it wanted to buy two tranches of 400m therms a year.

British Gas will not disclose the name of this purchaser, but FT inquiries reveal it to be National Power, which was seeking gas for three new power stations.

British Gas did its sums again. On February 19, it decided that it could meet only about 1bn therms of power station demand in 1994-95. But it now had firm interest from projects wanting almost triple that amount: it decided to kill the excess demand by pushing up prices.

Three days later, Mr Playle says, British Gas phoned about a dozen companies preparing station projects with two bits of news: first, gas prices would rise in a week's time; second, British Gas would sign a supply contract at the old prices with any project which could guarantee within a week its side of the deal - crucially, that it could take gas for a very long period, typically 15 years.

"Frantic" is Mr Playle's unexaggerated description of last week. Three companies managed to beat the deadline and sign deals with British Gas: Yorkshire Electricity, British Nuclear Fuels and National Power (for its new station at Didcot in Oxfordshire).

Two companies came close to signing a deal: Texaco for its planned station at Pembroke in west Wales; and Ranger Oil for its station at Great Yarmouth.

Mr McKinnon, the regulator, was asked to intervene by companies angered by British Gas's tight deadline. At 4.45pm last Friday, he ordered British Gas to agree a supply deal at the old prices for Thames Power's planned station at Barking, east London. At 7.45pm, barely four hours before the deadline, he issued a similar order for Mobil's station at Coryton in Essex.

As the dust from the deal-making begins to settle, a number of issues remain unresolved, such as the looming legal battle between Mr McKinnon and British Gas, which has rejected his orders as invalid, and the lack of gas supplies for more than a dozen companies wishing to build gas-fired stations.

MANAGEMENT: Marketing and Advertising

The UK design industry

Realism is the new byword

Alice Rawsthorn on the changes in attitude and structure arising from past excesses

"The [British] design industry in the 1980s was characterised by an unnecessary show of excess. There was excess in terms of the number of people employed, the new offices opened and in boasts about size. These excesses were exactly what one would expect from an arriviste industry."

Wally Olins, chairman of Wolff Olins, one of Britain's biggest corporate identity design companies, suspects that the era of excess is over. The 1990s, he says, seems set to be a more restrained, realistic period for the industry.

The catalyst for this new realism is the recession. Just as the design industry experienced more rapid growth than many other areas of marketing in the 1980s, so it has suffered to a greater extent than other eectors in tbe economic squeeze of the early 1990s.

The recession not only poses serious financial problems for many design consultancies – there bave been job losses across the industry and some companies have gone out of business – it is also fostering changes in the culture of the industry and in the way that companies are managed.

In the 1980s the large consultancies were preoccupied with diversifying into new disciplines and opening international offices to take advantage of the buoyant design market.

The model for their development was advertising. The large design consultancies, whicb bad started the 1980s as privately-owned practices in a craft-based cottage industry, started to structure themselves like advertising agencies.

These consultancies set up departments – many of them borrowed from advertising – such as account management, planning and new business co-ordination. They also adopted the same pyramidal structures as had agencies, generally with the designer/founders – men like Rodney Fitch of Fitcb and Michael Peters of the eponymous group – at the top with layer after layer of middle management beneath them.

Now that the design market is no longer buoyant, some consultancies are starting to experiment with different management structures.

Dorotby Mackenzie, who worked at Michael Peters until its receivership last year, believes that advertising is no longer a suitable model.

Dragon, the brand development consultancy she founded in January with two other former Peters' executives, envisages employing no more than 25 or 30 full-time staff and liaising with other consultancies or freelances for bigger projects.

"We want to work with a small number of senior people from a low-cost base," she says. "Design companies, like advertising agencies, are starting to realise that they can operate effectively without providing every service themselves."

Increasingly, people in the industry believe that advertising was never an appropriate model for design consultancies and that the problems posed by tbe recession simply highlighted its sbortcomings.

Mark Landini, wbo became joint managing director of Conran Design last summer after its takeover by RSGG, tbe Frencb advertising agency, believes tbat a craft-based industry like architecture is a better model for design than advertising. Since last summer Conran has been reorganised along similar lines to an architectural practice.

Mark Landini: runs Conran like an architectural practice

It now operates as a single design studio with all the staff working on one floor. The old system of specialisation – whereby different designers worked within specific disciplines such as graphics or interiors – has disappeared. Projects are no longer co-ordinated by account managers, but by a small group of studio beads who liaise witb clients and work directly with the designers.

Landini, like Dorothy Mackenzie, wants the company to remain reasonably compact. Conran employs 65 full-time staff, compared with nearly 150 before the takeover. He plans to accnmmodate specific projects hy calling, when necessary, on a pool of freelances and at present uses 20.

Even the very largest consultancies are showing signs of returning to the old craft-based ethos of design. Fitch, the retail design group which was one of the first consultancies to bring people with general business skills into the industry, is also changing its approach.

Fitch bas already rationalised by reducing its wnrkforce from 550 to 440 last year. Last week it appointed Martin Beck, who had run RichardsonSmith, its US product design company, as group chief executive witb a brief to overhaul its operations.

Beck is beginning a review of Fitch. He is already convinced that one of the main mistakes of the 1980s was taking control of the design business away from designers into the hands of general managers.

"Many of the people who have beeo managing the industry do nnt have a feel for design," he says. "Of course we need tbe support of people witb strong financial skills, but the main decisions should be taken by penple who really understand the business and our clients' needs."

It would be wrong to picture design as an industry cowed hy recession into abandoning its old hopes of expansion and returning to its roots as a craft-based sector. The industry is certainly more subdued and has scaled down its aspirations in terms of size, but it is much more ambitious in terms of the scope of its work. The design projects nf the early 1990s are more complex and more internationalised than ever before.

This poses a dilemma for design companies in that, at the same time as they are trying to trim their operations, they have to provide a more sophisticated service tn their clients. The way that most consultancies bnpe to resolve this is by employing fewer people but investing in resources such as archive material, computer-aided design systems and information technology.

"One of the big mistakes the industry made in the 1980s was that it expanded in a very shallow way," says Paul Southgate, who left Peters with two colleagues last year to found Wickeos Tutt Southgate, a brand identity consultancy.

"There was expansion in terms of hiring more people and opening new offices, but little was dooe to improve service. The real challenge for the design industry in the 1990s will be to expand not simply by elze, but by actually adding depth to our service."

Crafty use of an island's name

James Buxton on Arran Provisions

Keith Brewood: "Buyers from big stores love coming here"

Each week Arran Provisions ships about £75,000 wnrth of jams, honeys, mustards, marmalades and much else from the Isle of Arran to the Scottish mainland, all in stylishly packaged jars and containers.

One might imagine, therefore, that the Isle of Arran abounds in raspberry busbes, beehives, mustard fields and even nrange groves.

In fact the 20-mile long island off the west of Scotland coosists largely of mountain, moorland, river and forest, with only a few fertile patches. All Arran Provisions' raw materials are imported from the mainland.

Yet the marketing success of Arran Provisions lies in tbe way its products are perceived as containing the essence of a beautiful Scottish island with pure rain and healthy winds. "Arran provides the romance in the marketing," says Keith Brewood, the compaoy's managing director. It is a romance which helps to offset the financial and logistical penalties of being based on an island.

Everything has to come in on the ferry from the grim port of Ardrossan, Ayrshire. "We reckon the inward freight adds about £100,000 to our costs, and the outward another £50,000," says Brewood.

Founded in 1981, Arran Provisions last year achieved sales of about £4m. It makes things like "Scottish strawberry preserve with Drambuie", "Marmalade with Scottish heather honey" and "Mustard with malt whisky". They come in special square jars and sell in npmarket food shops, delicatessens, gift and tourist shops all nver Britain and increasingly on the continent, the US and the English-speaking world.

Half the turnover comes from products epecially designed and made for stores such as Fortnum & Mason, Harrods, Boots and Jenners (of Edinburgh), which sell tbem under their own labels.

The company was formed by Iain Russell, a former Birmingbam policeman, who began making mustards and preserves at his bome on Arran for sale in the island's tourist shops. Originally it processed local berries and fruits, and experimented in growing mustard on the island, but soon found tha snpply insufficient for its needs. The marketing effort was boosted with the balp of the Highlands and Islands Development Board's craft advice organisation, Craftpoint.

Expansion was funded by selling out to Robertson & Baxter, the privately-owned Glasgow whisky blender and distiller, in 1985 and last year Arran set up a distribution centre on an industrial estate near Glasgow to make delivery more efficient. One reason for this was that, as Brewood says, "the company has almost outgrown the available manpower and resources of Arran".

Yet for all the cost and inconvenience, the business is run almost entirely from Arran; the sales and marketing director and his sales team works from Glasgow, and a vital role is played by Tayburn Design, the Edinburgh company which designs Arran Provisions' labels and packaging.

Thinking up ideas for products, refining recipes for them and making sure they can be manufactured satisfactorily can only be done at the factory, and is directed by Brewood himself.

Obviously products sold nnder the Arran Provisions label must be made on Arran, but in theory the own-label products could be produced anywhere, since they do not mention Arran on the label. But apart from the disadvantage of splitting a small operation, Arran itself is an important marketing tool.

"The buyers from tbe big stores love coming bere," says Brewood. "They sometimes come with a vague idea for a product which we try to interpret. We work on it while they are here and in a day, or two days, while they wait in their hotel, we can provide them with a sample to approve. They like seeing their ideas materialise." While the creative team does its work the buyers can play golf or climb the hills.

"It might be more profitable if we weren't on Arran but that would limit our possibilities for growth," he says.

Taking a nibble at marketing

David Churchill explains how restaurants are reacting to the bite of the UK recession

Laurence Isaacson, advertising gurn and bon viveur, has come into his own during tbe recession. As a long-time marketing man – be has been chairman of the Creative Business advertising and marketing group for the past decade – be has been applying his expertise to his other interest, part-ownership of a succession of stylisb London restaurants starting with the Café des Amis in Covent Gardeo in the early 1980s and lately the Anglo-indian restaurant Cbntney Mary io tbe Kings Road.

Recessioo is taking its toll on the restanrant bnsiness. "Tbere are more restaurants for sale in London than ever before," says Isaacson, though be maintains that his are doing nicely.

Eating ont – one of the fastest growing of all leisure pursuits in the 1980s – is a sensitive barometer of both consumer and business confidence; as companies and individnals tighten their belts some in the restaurant business are finding that marketing may be their salvation.

"Tnn many restaurant owners have in the past failed to see themselves as part of the retail mix," believes Alan Crompton-Batt, a pnblicist for many top London restaurants. "They have been very insular and believed they didn't have to compete with other demands nn peoples' incomes."

Large restaurant groups have also honed up their marketing during tha recession. "We don't expect to see the market grow, so we have to steal share from others by better marketing," says Michael Tye, marketing manager fnr Beefeater restaurants, part of Whitbread and the largest sit-down restaurant chain in the UK with over 250 outlets.

Targeting is impnrtant. Isaacson has a database which he uses to keep his customers informed of developments and to offer special inducements – snch as a free bottle of wine.

Susan Warwick, joint owner of the Good Food Guide-rated La Bastide restaurant in central London, regularly sends out copies of the menu which cbanges monthly and also holds wine-tasting evenings.

"We've built nurs up simply by talking to customers and asking them if they wanted to be kept informed about our wine tastings and other special offers," she explains.

Advertising is not favoured by many restaurateurs. Beefeater believes, for example, that television advertising is too broad, though it does try to reach various target groups through specialist media such as magazines.

The tactical weapon being adopted by a number of individual London restaurants is pricing – bnt in the final analysis, the marketing approach that probably works best in had times as well as good is simply word of mouth.

Antony Sher as Joseph K Alastair Muir

The Trial

LYTTELTON THEATRE

There ere two reasons why Franz Kafka's novel *The Trial* is e masterpiece. One is the deliherate amhiguity; the other is the lightness of touch. Although the book ends with an execution, it has always seemed to me more in the comic than the tragic tradition.

The ambiguity is sustained throughout. *The Trial* can be read as a satire on the law and the legal profession. It can also be taken as a criticism of the catholic church or of any other formal organisation. At the more personal level, it can be taken as the story of a man going mad because he does not quite fit in with the rest of society. There is an element of persecution, to be sure, whether by the law, the church or society in general.

It is just about possible to see *The Trial* as an exposure of anti-semitism, though that is pushing it a hit. Kafka wrote most of it in 1914 and died before the rise of organised Nazism. *The Trial* was published in 1925, a year after his death. It is the range rather than the specific nature of the targets that stands out. The strength of the book lies in its irony and its wit.

There is neither irony nor wit nor lightness of touch in the dramatised version by Steven Berkoff now at the National Theatre. Instead there is a relentless, stylised ritual which suggests that Joseph K, the hero of the story, is systematically persecuted hy a malignant, intolerant society. The Jewishness is consciously playad up; the amhiguities have been written out of the script.

It may be said that e play should not be judged hy the novel on which it was based. The new version can stand in is own right. To that, there are two objections. One is that those who know the novel will wonder why it has been so pointlessly distorted. The other is that I suspect that anyone who does not know the book will find this production incomprehensible.

Berkoff's adaptation has no *raison d'être* of its own. Every subtlety in the book has been removed. For example, Joseph K rather likes the banking world in which he works. He also likes, and is liked by, women: he makes love to anyone who offers herself to him. There is no evidence in the hook that he has any regrets either about capitalism or sex. It is his friendly uncle who knows that K is in trouble with the law. In the play the uncle is transformed into K's father who speaks from beyond the grave while K admits that his father's superior attitudes have always filled him with guilt.

Berkoff's rule seems to be that whenever there is a joke, an ambiguity or a sense of irony, it must be eliminated. That may be Brechtian in the extreme; it is certainly not Kafkaesque. The crowning illustration is is the portrayal of Huld the lawyer, played by Matthew Scurfield. If you want to ridicule the law, you do not do it hy covering the practitioner in excrement; you do it lightly. The scene where Huld, helped hy his aides, throws out the excreta from his own trousers is gratuitously disgusting and makes no point.

For the record, Jospek K is played hy Antony Sher and Berkoff directs. One wonders why during rehearsals no-one said that tbe piece was hopelessly off-track and should have been withdrawn before it hit the buffers. As an antidote, read the book.

Malcolm Rutherford

CINEMA

Godfather who knew too much

THE GODFATHER PART III **Francis Ford Coppola**
FEAR **Rockne S O'Bannon**
BERLIN JERUSALEM **Amos Gitai**
NAKED HOLLYWOOD **Nicholas Kent**

Family reunions are dangerous things: especially when the family is the Family. The best you can hope for is that long-sundered relatives will not knife each other to death; that up-and-coming hit-man Vincent (Andy Garcia) will not bite the ear off older hoodlum Joey (Joe Mantegna); that reigning godfather Al Pacino will not make people offers they can't refuse; and that members of an enemy clan will not burst upon the scene making loud noises with machine-guns.

Many or most of these things happen in *The Godfather Part III*, Francis Ford Coppola's twenty-yeers-on sequel to his great and famous Mafia diptych. But the cruellest fact of life about this 2¾-hour movie is that we, the audience, barely care. Here is grizzle-haired Michael Corleone (Al Pacino), grown from crown prince to careworn patriarch, and now romancing the Catholic church. Here is ex-wife Kay (Diane Keaton), nibbling bravely and underscriptedly at the plot's edges. And here are newcomers Mr Garcia and Sofia Coppola, Francis's daughter, as two Corleone kissing cousins sundered by family politics.

Adding an extra floor to a two-storey house of cards is always a dangerous business. But when the addition is as jerry-built as this, it can jeopardise the whole structure. Co-scripting with *Godfather* originator Mario Puzo, writer-producer-director Coppola has raided the cinema's ancestral memory bank under M for Mafia. There he finds a key list of cliché items with which to build a plot: Vatican bank scandals, Sicilian family feuds, Romeo and Juliet romance ruptured by dynastic tensions.

While the Godfather music ambrosially soars, Pacino and his clan commute between an Italy and America interchangeably bathed in cameraman Gordon Willis's golden light. The film looks beautiful and sounds beautiful. It is also packed with incident. Why then does it never seem to start?

The main ignition problem is the cumbrous, continent-hopping plot. Pacino's bid to involve himself in the affairs of the Vatican bank creates more trouble for the movie than it is worth. Lost early on in a chaos of German bankers (Helmut Berger), Irish bishops (Donal Donnelly), Sicilian power-brokers (Eli Wallach), dying Popes (Raf Vallone) and polyglot hit men, the film spends half its time bandying warring accents in the corridors of power, the other half fanning itself with a wet towel, figuratively speaking, in Don Pacino's rural Sicilian retreat.

Here the movie fines down to its central core of characters, only for us to discover that there *is* no central core of characters. Garcia and Miss Coppola as the star-crossed lovers are as woodenly choreographed as chess pieces. Keaton, materialising in Sicily one sunny day and staying on till the end credits, has no plot function I could discern at all. And Pacino, stoop-shouldered, raspy-voiced and hedgehog-haired, has coarsened beyond recognition his mesmerising young Machiavel of *Godfathers I and 2*.

The marvel of those early movies was twofold: they never lost their momentum as modern-dress Jacobean melodramas, and they never telegraphed plot or character points. Nuances were as fine and fleeting as fireflies; threats of doom were quiet as distant thunder. In *Godfather III* by contrast every apocalypse is labelled "Now" and every dramatic turning-point is noisily literalistic. "I preferred you when you were just a common Mafia hood" (Keaton to Pacino). "The higher I go, the crookeder it all becomes." (Pacino to Keaton). This is sandwich-board drama, climaxing in a finale of lunatic contrivance where what seems like half-a-dozen assassins trip about an opera house in a made-in-Italy homage to Hitchcock's *The Man Who Knew Too Much*.

It sorts oddly with the shades of *King Lear* that also flit about here: Pacino essaying the tragic patriarch, Garcia's Vincent (the Don's bastard nephew) filling the Edmund role and Miss Coppola doing a whey-voiced Cordelia. If we were wild for interpretation, we might even hazard that the film is a fable about Coppola himself, a semi-ruined monarch of Moviedom surveying his depleted kingdom much like King Lear or Don Michael.

But applying such interpretations to this film is like using band-aids to cover a gaping wound. *The Godfather Part III* is a mess of botched intentions. It reminds us that when an artist tries to improve on – let alone to expand on – perfection he had better have a steady nerve and some seriously inspired new ideas.

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"He likes me 'cause I give great fear!" burbles the heroine of *Fear*. Pretty psychic Ally Sheedy is talking about the mass-murderer with whom she has established telepathic contact. Able to glimpse his mind with the help of wobbly camerawork and weird electronic music, she also glimpses and shares the terror of *his* female victims. How many more will he stab to death? Can she help the cops? And how long will friends Lauren Hutton and Michael O'Keefe put up with her excitable temperament and tendency to have visionary seizures in public places?

We put up with it for about an hour of this initially skilful screecher, written and directed by Rockne S. O'Bannon, screenwriter of *Alien Nation*. Thereafter, like all good things, it comes to an end, routed by predictable chase scenes and the *déjà vu* visual deliriums of a fairground climax.

Still, it beats Amos Gitai's *Berlin Jerusalem*. Here two truth-based stories about early Zionism are intercut as if to see which will put us to sleep first. Lisa Kreuzer bestrides one story as Else Lasker-Schule, a German Expressionist poet with an unfortunate taste in hats. Riva Neuman bestrides the other as Tania Shocat, a Russian socialist activist and cofounder of the Holy Land's first agricultural collectives. Worthy subject. But somewhere between the twin stories and settings, the film is mugged by sub-Brechtian mise-en-scene and leaden dialogue and falls into e deep pit of pompous inconsequence.

*

Television, as we know, was designed by God as the perfect medium for commenting on movies. It has since grown up to become host to other marginal matters, like news, drama, comedy, documentaries and game-shows. But its principal vocation as a luminous-eyed film critic keeps defiantly surfacing.

Naked Hollywood may be the first serious series about the industry's capital and the way it functions. After watching two episodes, I give it A for effort and B-query-plus for achievement. I heartily applaud producer Nicholas Kent for having gone about Tinseltown collaring those fascinating monsters called agents: back-room boys turned prince regents. That they now rule Hollywood no one doubts. And although their all-powerful leader Mike Ovitz declined to talk to the programme, we had a witty slow-motion glimpse of him at a ball-game glowering at the camera. (This shot was repeated, to great effect, like the refrain in a satirical ballad).

My only quibble: I hope the series gets to grips with more actors and directors than it has yet done. To date we have been force-fed large quantities of Arnold Schwarzenegger and James Caan, box-office darling and industry rebel respectively. The danger of any series setting out to take the glitz off the gingerbread is that it will create an iconoclastic glitz all its own. A Manichean vision of a Moviedom divided between extremes – artists and agents, happy he-men and thoughtful thespians – ignores the greatest truth of all about Hollywood: that in its finest moments, under John Ford or Howard Hawks, under Francis Coppola or Martin Scorsese or Woody Allen, commerce and culture have been blissful and untroubled bedfellows.

Nigel Andrews

Better as a common Mafia hood: Al Pacino in 'The Godfather Part III' with his bodyguard, played by Al Neri

BBC Symphony

BARBICAN HALL

Young Mark Wigglesworth, who won the International Kondrashin Competition in 1989, conducted Tuesday's BBC concert with notable éclat. Each of the three works was quite different – small string band for Britten, conventional large orchestra for Shostakovich, and complicated tripartite ensemble for the new Dominic Muldowney commission – and they were all sonorous on the right scale, as if the Barbican acoustic posed no problems. And the BBC Symphony played their distinguished best for him.

Muldowney described his ingenious Three Pieces as "rhythmic studies" based on cross-pulses, sufficiently tricky for the two "solo" groups (wind quartets with percussion) to need ear-pieces transmitting their own click-tracks to them, and a third – different again – for the conductor, who directs the rest of the band. The pieces are respectively a study in shifting metres, between simple and compound time; a passacaglia that accelerates and slows, with two powerful climaxes; and a polka with variations, prompted by a Stravinsky fragment. The sounds are often jazz-flavoured (saxes, hi-hats, trumpet mutes) and thoroughly friendly.

The polka-movement, at least, conveyed many of its points at first hearing: starting with a dull oompah-rhythm was a help. The first piece was much more of a tease, for despite the crisp clack of claves at the outset, so much of the writing for (especially) the solo ensembles is syncopated anyway that their separate pulses kept eluding one's ear, and so *a fortiori* their calculated interplay too. Second or third time round, when we have a grip on the material, it should explain itself more clearly. The passacaglia, as well – but its overall shape was palpable already.

Britten's no less ingenious Prelude and Fugue for 18 strings had made an ideal opener. The marvellous intertwining of lines in its first fugal section was a joy to hear. But so, later, was the BBC string-playing in Shostakovich's Tenth Symphony, which Wigglesworth led in long, unbroken lines of poignant conviction. The scherzo was properly furious and gripping; the finale rose to a hint of barely controlled hysteria, as it must – but it *was* controlled. And Wigglesworth was wise enough to let his solo winds make their own exquisite sense of what the composer assigned them; most of all – among a superlative team – Colin Bradbury's liquid clarinet, which wound through the score quite hauntingly.

David Murray

Hippolyte et Aricie

GUILDHALL SCHOOL OF MUSIC

A few meagre lighting effects were all that remained of a projected staging. The grand plan had been to combine the forces of three leading European music schools in a production of Rameau's *Hippolyte et Aricie* and take it to each of the three countries. When French backing was withdrawn,however, finance failed and the production was lost.

Two concert performances were the best that could be salvaged by the Guildhall School of Music and I saw the second of those on Tuesday. The Hague and Utrecht enjoyed one each; Paris none at all. It is easy to bemoan the loss of a rare production of this marvellous opera but the score, heard by itself, soon reasserts its supremacy. Rameau's music was never intended to play second fiddle to stage effects.

Its wide emotional range will be well known to anybody who has the old Anthony Lewis LPs. So powerfully are the feelings engaged by this music that a comparatively romantic style of performance does not sound out of place and it is interesting to learn that William Christie, a present-day authority on the French Baroque,still has time for the set.

His own Rameau,though different in style, packs no less of a punch. In other music, such as Purcell, I have sometimes felt that a stronger rhythmic pulse is needed from Christie and his musicians. But in Rameau,with its flexibility of phrasing and more ambivalent flavour, this conductor is difficult to fault and he drew consistently inspired playing from his 40-strong student orchestra,drawn from the three music colleges.

An undercurrent of expressive music-making in the orchestra swept the young singers along. Christie seems to have been fortunate in getting the pick of three vocal departments. His leading pair of soloists was quite remarkably assured:Catherine Markovic played a Phèdre of striking dramatic impact;Mark Padmore as Hippolyte sang better than I have ever heard him and showed a real feeling for the music's scale.

There was a fine, if not yet settled, bass-baritone in the Thésée, René Linnenhank. (What waves of emotion Christie obtained from the strings to support his Act 3 scène!) Maryse Bahuriet was an Amour who won all hearts; Sophie Daneman's Aricie and François Piolino's Mercure gave notice of promising vocal material. None of the cast was less than adequate. All sang in such a way as to turn the music – triumphantly – into drama.

Richard Fairman

Carmina Quartet

QUEEN ELIZABETH HALL

The huge promise of the Carmina Quartet on its appearance at the Paolo Borciani Competition in Reggio Emilia in 1987 has already been amply fulfilled. As Tuesday evening's recital demonstrated, the intrinsic attributes of instinctive ensemble and understanding have heen now supplemented by genuine maturity and character. The group's programme was a standard enongh one – Haydn, Debussy, Mozart – yet each work was sharply defined, individually worked througb, consummately delivered.

The Debussy Quartet was fascinating, partly because it was not quite so effortless. It was, though one hesitates a little to make too much of the description, a rather Germanic view of the work, happier in its momentary unwindings of Cesar Franck-like circular melodies than in the passing foretastes of the later, fugitive Debussy. Thematic substance mattered more than diaphanous texture, so that the effect was unexpectedly rugged. Set next to a Haydn performance (of the G major Quartet, Op.76 no.1) in which each segment was fitted precisely into place yet made to seem sponteneous and retaxed, the Debussy lacked suppleness and that same spontaneity.

Michael Collins joined the Carmina for the Mozart Clarinet Quintet, in what was almost an excess of excellence; his playing, like the Quartet's, seems to deepen and become ever more fluent. At times the seamlessness of his legato phrasing and his command of tonal variation made the string sound almost monochrome, yet the swapping of ideas, the ebb and flow of tempo and nuance as the burden of the argument was passed around offered an absorbing example of ensemble playing.

Andrew Clements

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ BERLIN

Staatsoper unter den Linden 19.30 Die Fledermaus. Sat: Die Zauberflöte. Sun: Heinz Fricke conducts Parsifal, with Reiner Goldberg in title role (2004 762)
Deutsche Oper 20.00 Recital by Paata Burchuladza accompanied by Ludmila Ivanova. Tomorrow: Il trovatore. Sun: Tristan und Isolde with Gwyneth Jones and Rene Kollo (3410 249)
Schauspielhaus 20.00 Hans Peter Frank conducts Berlin Symphony Orchestra in Prokofiev's Fifth Symphony, plus music by Mozart and Hindemith. Repeated tomorrow and Sat (2272 261)

■ COLOGNE

Philharmonie 20.00 Jorg-Peter Weigle conducts Dresden Philharmonic in symphonies by Mozart and Brahms, plus Weber's Clarinet Concerto with Hans-Detlef Lochner. Tomorrow: Cologne Radio Symphony Orchestra play Schnittke's Fifth Symphony (2801)

■ GENEVA

Grand Théâtre 20.00 Last performance of Tony Palmer's production of Peter Grimes, with Jan Blinkhof in title rola and Ashley Putnam as Ellen (212311)

■ GOTHENBURG

Konserthus 19.30 Michel Tebachnik conducts Aarhus Symphony Orchestra in e programme of Beethoven and Norgard. Tomorrow and Sat: Nigel Kennedy pleys Elgar'a Violin Concerto with tha Helsingborg Symphony Orchastre (167000)

■ HAMBURG

Staatsoper 19.00 Febio Luisi conducts Il trovatore, with Rosalind Plowright as Leonora, Carlo Cossutta as Menrico and Alexendru Agache as Luna, elso Sun. Tomorrow: Medame Butterfly (351555)
Deutsches Schauspielhaus 19.30 Michael Bogdanov'a production Under Milk Wood (248713)

■ LONDON

MUSIC
Covent Garden 19.00 Stephan Barlow conducts Die Zauberflöte with Joan Rodgers as Pamina, Luciana Serra as Queen of the Night, Olaf Bär as Papageno and Deon van der Walt as Tamino, elso Sat. Tomorrow: Samson at Dalila (240 1066)
Coliseum 19.30 Jonathan Miller's production of The Turn of the Screw, with Eilane Hannan as the Governess, also Sat. Tomorrow: Rusalka (836 3161)
Royal Festival Hall 19.30 Carlo Maria Giulini conducts Philharmonia Orchestra in Brahms programme, with Danial Barenboim soloist in First Piano Concerto. Also Sun (928 8800)
Queen Elizabeth Hall 19.45 Academy of St Martin-in-the-Fields Chamber Ensemble (928 8800)
Barbican Centre 19.45 Maxim Shostakovich conducts London Symphony Orchestra in Shostakovich's Symphony No 10 end Violin Concerto No 1, with Nedja Salerno-Sonnenberg. Sat: Baranboim plays Mozart with the ECO. Sun: Tha Dreem of Gerontius (638 8891)
THEATRE
This week'a shows include Peter Hell's production of Twelfth Night (Pleyhouse), Silly Cow, Ben Elton's new pley about e gossip columnist (Heymerket), Steve Berkoff'a adaptation of Kafka's The Trial with a cast led by Anthony Sher (National), Joe Orton's classic black comedy What the Butler Saw (Wyndham's), end e revivel of the musical The King and I starring Susan Hampshire (Sadler's Wells). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musica Sala Sinfonica 19.30 Laulius Sondeckis conducts Chember Orchestra of Lithuania. Tomorrow, Sat and Sun: Spanish National Orchestra conducted by Aldo Ceccato. Tomorrow at 22.30: guitar racital by Narcisco Yepes (337 0100)
Auditorio Nacional da Musica Sala de Camara 19.30 Borodin Quartet (337 0100)

■ MILAN

Teatro alla Scala 20.00 Riccardo Muti conducts Luca Ronconi's new production of Cherubini's Lodoiska, elso Sat. Tomorrow and Sun: La Fanciulla del West (7200 3744)

■ MUNICH

MUSIC
Staatsoper 19.00 Heinz Fricke conducts Henning von Gierke's production ol Der fliegende Holländar, with Robert Hale as the Dutchmen end Luene DeVol as Senta. Tomorrow: Otello (221316)
Philharmonie 20.00 Neville Marriner conducts Bavarian Radio Symphony Orchestra in Britten's Four Sea Interludes from Peter Grimes, plus Elgar's Enigma Variations and Vaughan Williems' Third Symphony. Repeated tomorrow. Sun: Eva Marton end Paata Burchuladze sing opera arias (48098 614)

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Christopher Keene conducts New York Philharmonic Orchestra in Walter Piston's Fourth Symphony, with Arleen Auger soloist in Ravel'a Shéhérazade, repeated tomorrow, Sat and next Tues. Sun: Rudolf Firkusny plays Dvorak's Piano Concerto with Orchestra of St Luke's (674 2424)
Metropolitan Opera 20.00 Charles Mackerras conducts Jonathan Miller'a new production of Katya Kabanova, with Gabriela Benackova as Katya and Leonie Rysanek as Kabanicha. Tomorrow: Le nozze di Figaro (362 6000)
DANCE
New York State Theater 20.00 Joffrey Ballet season till March 17 (870 5570)
THEATRE
This week's shows include Henry IV Parts 1 and 2 directed by JoAnne Akalaitis (Public), the comedian Jackie Mason's one-man show (Neil Simon), Mule Bone, a play with music, written in 1930 during the Harlem Renaissance (Ethel Barrymore), and Larry Gelbert's City of Angels, musical satire about Hollywood in the 1940s (Virginia). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

Palais Garnier 20.30 Christopher Hogwood conducts Academy of Ancient Music in symphonies and concertos by Haydn (4742 5371). Tomorrow, Sat and Sun: Nederlands Dans Theater in Kaguyahime, ballet by Jiri Kylian with music by Maki Ishii (also today at 14.30)
Opéra Bastille 19.30 Myung-Whun Chung conducts Andrei Konchalovsky's production of Queen of Spades, with Vladimir Popov as Hermann, Sergei Leiferkus as Tomsky and Regine Crespin as the Countess. Runs till March 23, next performance Sat (4001 1616)
Théâtre des Champs-Elysées 20.30 Gary Bertini conducts Orchestre National de France in Webern's Six Pieces Op 6, Schoenberg's Pelléas et Mélisande and Mozart's Piano Concerto No 21 in C, with Maria Joao Pires (4720 3637)
Opéra Comique 20.00 Paris Opera Ballet in Coppelia, with designs based on original 1870 Paris production. Runs till next Wed, except Mon (4286 8883)

■ ROME

Teatro dell'Opera 20.00 Gustav Kuhn conducts Luca Ronconi's production of Don Giovanni, with Ruggero Raimondi in the title role. Sun: Ariadne auf Naxos (463641)

■ VIENNA

Staatsoper 19.00 Garcia Navarro conducts Falstaff, with Giuseppe Taddei in title role, Bernd Weikl as Ford and Eva Lind as Nannetta. Tomorrow: Samson et Dalila with Marjana Lipovsek and Vladimir Atlantov. Sat: Cosi fan tutte (51444 2960)
Burgtheater 19.00 Kleist's The Broken Jug. Tomorrow: Ibsen's An Enemy of the People directed by Claus Peymann (51444 2218)

■ WASHINGTON

Kennedy Center 20.30 Kurt Sanderling conducts National Symphony Orchestra in Beethoven's and Schumann's Fourth symphonies, also tomorrow and Sat.

■ ZURICH

Opernhaus 19.30 Elektra staged by Ruth Berghaus, conducted by Ralf Weikert, with Deborah Polaski in title role. Also Sun (251 0909)
Tonhalle 20.15 Nikolaus Harnoncourt conducts Vienna Symphony Orchestra in all-Mozart programme (201 1580)
Kongresshaus 20.00 Vanessa, Lynn and Jemma Redgrave in London West End production of Chekhov's Three Sisters. Also tomorrow and Sat (221 2263)

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FINANCIAL TIMES

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Thursday March 7 1991

A Budget for companies

UK COMPANIES will examine this year's Budget with more than usual interest. The combination of high interest rates, rising unit wage costs and sluggish demand has put many in a liquidity crisis. High inflation is compounding their misery by raising effective rates of corporate taxation. The government should offset the extra tax burdens that inflation is imposing. In addition, the marginal tax rates on all types of capital investment are higher now than under the pre-1984 system, with the sole exception of commercial buildings. The government needs to reduce the disincentive to investment inherent in a system that was comprehensively, but in a few respects mistakenly, reformed in 1984.

The 1984 corporate tax reforms have left companies vulnerable to high inflation. Their corporate tax burden will rise as they are taxed on the entire increase in the value of their stocks, including that part caused by inflation. This extra burden could be removed by re-introducing temporary tax relief for book profits on stocks. The Institute for Fiscal Studies estimates this would cost £2bn in 1990-91.

The value of depreciation allowances also falls when inflation is high. As a result, the current corporate tax system lowers the incentive to invest as inflation rises. Both of these distortions could be prevented by indexing the corporate tax system for inflation.

Alternatively, the squeeze could be relieved by cutting the corporation tax rate. But this would merely deliver windfall gains to those companies that manage to survive the recession, without rectifying the system's vulnerability to inflation. Such a cut would also reduce the value of existing depreciation allowances and would do little to diminish the disincentives to investment left by the 1984 reforms.

Tight squeeze

The government might argue that relieving the squeeze on companies at this stage of the recession would weaken their resolve to reduce wage costs, thereby hampering the fight against inflation. Yet depressed company profits, rising unemployment and the expected fall in manufacturing investment this year, are all evidence of the already tight squeeze on the corporate sector. Anti-inflation policy is best conducted though macroeconomic instruments rather than a distorting tax system. Interest rates and the exchange rate, not the corporate tax system, should be used to keep downward pressure on underlying inflation.

Investment distorted

Even without the system's vulnerability to inflation, the 1984 reforms distort investment. Those reforms rightly aimed to remove biases in the treatment of different types of investment, by simplifying the complex structure of depreciation allowances that then existed. The main effect of the fall in the corporate tax rate, from 52 per cent to 35 per cent, was to deliver windfall gains to existing capital. Meanwhile, the reduction in depreciation allowances "levelled the playing field", but also increased the effective tax rate on all types of investment.

In any case, substantial biases remain for different types of investment in the UK tax system. The system discourages investment in capital goods relative to expenditure on advertising and marketing, which are investments in consumer goodwill but effectively receive 100 per cent depreciation allowances; it continues to favour investment financed by debt rather than by equity or retained profits; and, looking beyond the taxation of corporations, it subsidises investment in owner-occupied housing.

A cash flow corporation tax system – combining 100 per cent tax allowances for all current expenditure with the removal of tax-deductibility for interest payments on debt – would remove some of these non-neutralities, as well as eliminate the disincentive to investment.

Yet it is asking too much of the government to contemplate such an intellectual volte-face, especially in the run-up to an election. Temporary re-introduction of stock relief is the least now required, but indexation of the current system against inflation would constitute a still more worthwhile intermediate step.

Africa after apartheid

BRITAIN'S relationship with South Africa and its neighbours should not be dominated by the debate about sanctions and when to lift them. As this weeks' report by the House of Commons foreign affairs committee puts it, a new wind of change is blowing through the political and economic structures of southern Africa. Not only is apartheid crumbling; the whole region is in flux.

More is the pity, then, that the committee has not made enough of the opportunity to contribute to the debate on two critical issues: the move towards linking aid with what the World Bank calls "good governance", and black Africa's search for democratic systems which can withstand the stresses of ethnic, regional or religious tensions.

The recommendstion that has received most publicity is the committee's proposal that economic sanctions sgainst South Africa, including oil but excluding arms, should be dropped when President FW de Klerk fulfils last montb's pledge to repeal three apartheid acts – Group Areas, Land and Population.

This may well be the right response. Bnt the committee offers no advice on the merits of trying to co-ordinate such an important move with the Commonwealth (which holds its heads of governmant conference in October), the European Community, the US or the UN.

The implication is that Britain should act unilaterally; yet in almost the same breath the committee urges Britain to act "in conjunction" with other Commonwealtb countries before resuming sporting links with South Africa.

Malawi criticised

More attention must now be given to the problems confronting Britisb policy towards other states in the region. Malawi, for example, one of the largest recipients of British aid to Africa, was recently indicted by Africa Watch, the London-based organisation that monitors civil liberties. Britain has only expressed concern.

This hardly matches up to principles set out last September by Mr Douglas Hurd, the British foreign secretary: "We will reward democratic governments and any political reform which leads to greater accountability and democracy. The corollary is that we should penalise particularly bad cases of repression."

Mr Hurd also stressed the importance of a proper "legal framework within which private property can be entrenched and put to full productive use".

A test of this principle came late last year. The Zimbabwe government gave itself the power to make compulsory purchases of commercial farms. There is no recourse to the courts. Yet two weeks later a £24.5m UK truck contract, 35 per cent grant-aided by the Overseas Development Administration and the balance covered by the Export Credits Guarantee Department, was signed in Harare.

Admirable principles

These examples suggest that like many other western countries, Britain has sdopted admirahle principles linking aid and "good governance", without working out a policy.

Although it addresses this linkage, the select committee does little more than endorse that principle. It fails to assess the practicalities of implementetion – such as the inevitable clasb between western commercial or strategic interests, and human rights' concerns.

It is also inadequate on a second issue. The committee helieves that tribal and regional divisions in Africa are "no longer e bar to the introduction or preservation of democracy in southern Africa".

This sanguine observstion does no justice to the difficulties Africa does face – and has yet to resolve – in the search for new constitutional models.

And there is a further fundamental qnestion confronting not only southern Africa. Can Africa's governments manage both to implement painful economic reforms while introducing democracy? The select committee is "dissatisfied" with current "rather simplistic" economic prescriptions, although it offers no alternative. The committee will have served e valuahle purpose, however, if this warning note belps stimulate action on Africa's development crisis. This will be wracking Africa long after apartheid is ended.

Search for a panacea

Robert Graham on Brazil and Argentina's hunt for economic salvation

Youth, energy and a powerful sense of mission seemed ideal qualities to halt Brazil's demoralised slide into economic stagnation. Yet after a nearly year in office President Fernando Collor has dissipated most of his good will and fulfilled few of his expectations.

In neighbouring Argentina, his older colleague President Carlos Menem came to power generating similar hopes. After 18 months in the presidency, he too has failed to break the mould of economic incompetence and political corruption.

Both leaders are still groping for the right formula to curb hyper-inflation and regenerate growth in economies that account for almost 40 per cent of Latin America's foreign debt and 35 per cent of its exports.

President Collor last month was obliged to introduce his second austerity plan, following three efforts at stabilisation in four years by the previous government of José Sarney. In Argentina, President Menem is on his fourth economy minister and third adjustment programme in only 18 months. Argentina is entering its fourth year of negative growth, Brazil its second.

"The performance of these two economies is crucial to the broader perception of Latin America," commented one Latin American finance minister. "If they continue to get it wrong, then those countries that are getting it right will remain lumped together in the same category."

The economic muddle in these two countries contrasts increasingly sharply with others who have managed to cope with the debt crisis and recession during the 1980s. Bolivia, Chile, Mexico, Uruguay and Venezuela have demonstrated that orthodox economic readjustment, in co-operation with the international financial community, can succeed when competently administered.

President Menem was handicapped from the onset. He was obliged to take office six months early because his predecessor, Mr Raul Alfonsin, had exhausted all credibility. "Menem had to hit the ground running with a fire hose," observed a foreign banker.

Mr Collor enjoyed the advantage of time to think about his policies and choose his team before taking office. But he had to contend with a monthly inflation rate of 84 per cent as a result of the virtual abandonment of economic management during the previous 12 months.

Mr Menem's policies have undoubtedly been moving in the right direction. He has broken with the corporatist traditions of Peronism by slimming down the role of the state, and he has established good relations with international creditors by maintaining token payments on Argentina's $60bn foreign debt. But he has consistently encountered difficulties in finding a coherent team.

Few people from the ruling Peronist party or independents have been willing to work for Mr Menem. He has an impulsive nature, operates hy instinct and prefers friends from his native Rioja province to well-tried technicians. One of his most faithful colleagues has been Mr Domingo Cavallo, whom he switched last month from tha foreign ministry to the economy portfolio.

Mr Cavallo hes always sought this job and is well qualified as an economist with a Harvard hackground. His near prime ministerial position gives him greater authority; and perhaps et last Argentina may have found the combination of correct polices and competent administration.

Mr Cavallo has correctly identified three areas where policy bas so far failed – reform of the state and financial institutions; inadequate tax collection; and the inefficient hureaucracy. "We continue to have complex, confussing and unstable regulations and public officials arbitrarily make many decisions," he said on assuming the economy portfolio. "Within this sort of economic situation, corruption, inefficiency and injustice continue to reign."

Similar analysis can he applied to Brazil. The central issue in both countries is management at all levels. And this is where both Chile and Mexico have distinguished themselves. In both the latter countries there has been continuity, as high-calibre administrators have co-ordinated closely with other areas of government.

Lacking such consistency and quality in administration, Argentina and Brazil bsve repeatedly fallen at the first fence of readjustment – failing to realign prices properly and not imposing effective controls on government spending. For instance, last month the Argentine government discovered that the public sector deficit was running at 8 per cent of gross domestic product when it had been projected at only 2 per cent, tbanks to unrestrained expenditure by provincial governments, a collapse in already limited tax collection and the continued drain on the public sector through unsold inefficient state companies. In Brazil, spending by individual states during last year's state elections contributed to a larger than expected public sector deficit.

Another cause of inflation in botb countries has been the conversion into local currency of the private sector's trade surpluses. Argentina last year had an overall trade surplus of $7.3bn and Brazil $10.5bn.

President Collor created an additional problem for the Brazilien economy hy freezing two-thirds of financial assets in March last year. The euthorities mistakenly assumed this money had been taken out of circulation when in fact the private sector quickly found ways to get round the freeze to pay taxes and wages.

Under tbe new plan introdnced last month, the Brazilian government has again resorted to a temporary prices and wages freeze. This time, to keep control over the money supply, all money kept up to 60 days in the banking system has been forced into e Social Development Fund. However, it is questionable how long such policing can be sustained and how the government can release soms $35hn still held in frozen assets, mainly belonging to small investors.

This raises the all-important issue of public confidence. Historically inflationary pressures in Latin American countries have been caused by inertia – the belief that prices will go up regardless of policies. The more that various plans fail to prodnce the desired economic stability, the less faith the public is likely to have. Such lack of faith can be seen in the huge quantities of Argentine and Brazilian flight capital held abroad, conservatively reckoned to total $50bn.

Mr Pedro Aspe, the Mexican finance minister, says with the comfortable knowledge of his own country's experience: "We have learned the lesson and cannot afford to forget that the only way governments can hreak the circle of recession and inflation is by regaining public trust."

Mr Collor has caused himself unnecessary harm hy his confrontational style. Unfortunately this has been mirrored by Ms Zelia Cardoso, his economy minister, who through an aloof and arrogant style has managed to alienate the São Paolo business community.

His decision to retain her after the introdnction of his "Collor Plan 2" has done nothing to improve the atmosphere between business and government. Relations are also poor with Brazil's international creditors because the government has held back on even token arrears payments. Meanwhile, labour has been treated insensitively and now feels squeezed by recession.

A notable feature of successful stabilisation in Mexico has been the formal social pect between the government, employers and the trades unions in which each agrees to make sacrifices for agreed macro-economic objectives. President Collor's "lone cowboy" approach makes this very difficult, as does the private sector's conviction that it can alwaya bend the administration to accept policies which are to its exclusive advantage.

Mr Menem, on the other hand, has more of an instinctive feel for compromise. Also, the Argentina spiral of economic decline has been more prolonged and giddy. (Argentina's per capita GDP fell 24 per cent in the past decade compared to e 5.5 per cent fall in Brazil). The collapse of the economy has dramatically curbed the traditional power of the Peronist-controlled trades union movement and finally forcibly sown the seeds of consensus between government, business and the unions.

In Argentina everybody now knows his or her back is to the wall. But such sentiment is not yet apparent in Brazil and is unlikely to emerge until the recession hites deeper. This kind of shock treatment is a new and bitter experience for the giant of Latin America which has long fed on the idea that economic growtb is self-perpetuating.

Menem and Collor: groping for right economic solutions

BOOK REVIEW

Philanthropy and business

COMPANIES AND COMMUNITIES: PROMOTING BUSINESS INVOLVEMENT IN THE COMMUNITY
By Michael Fogarty and Ian Christie
Policy Studies Institute Publishing, £8; 285 pages

In the 1980s, British business greatly improved its image and performance as an agent of social change. With profits tumbling, the question is whether this was just a layer of froth on the Thatcher boom or something more deeply rooted.

This report from the Policy Studies Institute provides a valuable catalogue of the decade's echievements and some sensible ideas for improvement. It shows that in a decade when voluntary giving to charities stagnated, business dug deeper. The corporate sector stumps up about 10 per cent of tbe total charities receive each year from voluntary contributions.

But the money is only part of the story. Business has also thrown itself with Victorian zeal into projects ecross the social agenda: from job creation and training to the arts, sometimes providing cash, sometimes management.

A whole handbook of institutions has resulted. Business in the Community was set up in 1981, following an Anglo-US conference, and today has 450 members. Another American import, the Per Cent Club, was launched in 1986 with 52 members. Today, more than 250 companies belong, with a commitment to spend 1 per cent of pre-tax profits on good causes – a target raised last year from the initial 0.5 per cent.

As the structures of industrial tripartism have been dismantled, the government has relied more and more on business to drive policies, most ambitiously in the business-led Training and Enterprise Councils being set up to overhaul Britain's dilapidated training system. It is thus no longer possible to argue, as some in these pages do, that corporate community involvement is "the icing on the cake"; for better of worse, there are now policy areas where business is the master pâtissier.

With all this activity, the report makes a strong case for clearer definition of institutional roles and points ont business is not always the best leader. In a study on Hillingdon, an amorphous chunk of west London, it becomes clear that only the local authority has anything resemhling a clear set of boundaries and potential clarity of purpose to perform the task.

The authors also find a widespread haze over corporate policy and practice, in spite of the increased generosity of recent years. Only three in 10 medium-sized companies questioned have a written policy for community and charity work and even some large, high-profile givers fail to cost their community work clearly.

It is also of interest that in all this research, the tax incentives dog does not bark. It now seems that ths British fiscal climate on charities is as favourahle as America's and there is no pressure recorded here for anything better. Indeed, the report argues that as the Britisb fiscal climate becomes better established and the organisations involved become more experienced and more effective, we can look forward to a rich further harvest of corporate philanthropy.

There is, however, one important note of anxiety sounded in the report – the absence in Britain of a solid theoretical base for all this corporate community work. Companies, the enthors think, need better reasoned grounds than "enlightened self-interest" to sustain their new enthusiasm. Or as Peter Whates of the Volunteer Centre puts it in the book, we need "a coherent body of theory that would legitimise the concept of the active business as a deliberate corporate corollary of the active citizen". The authors have sought this in the leading business schools, "but with disappointing results".

This is deep water, but it must be navigated, because as the report also shows, a lot of the bnsiness people most involved in this work are suspicious that they are "doing the government's job for it" or "being taxed twice".

This raises the question posed recently in a lecture by management guru Charles Handy, when he asked: what is a company for? Handy takes the radical view that today companies should be considered not the property of their financiers or shareholders, but as organisms which require long-term nurturing in the interests of their employees, their customers, the environment and their society. Handy thinks German and Japanese companies are already substantially of this type, whereas British companies are tradeable chattels and so fatally locked into short-term goals.

These are broader concerns than those raised in this book, but they are connected. It is surely a good thing that individuals and companies find time and money to involve themselves directly with the health of their communities – they can offer a vigour and idiosyncrasy which tends to elude state welfare agencies. But for the volunteers to be effective and to keep their spirits up, they need e clear sense of the limits to the task. Only the government can define this shifting boundary between the role of the state and the individual. Mr John Major looks like the right man at the right time to deliver the goods; and he might want to look east as much as he looks west for the answer.

Ian Hargreaves

OBSERVER

The British pioneer

■ It's not so much a case of true Brit as Treubrit. Barry Hylton Davies, 49-year-old former head of project finance at Mowlem Europe, has become the first full-time foreign executive at the Treuhand, Germany's government agency responsible for selling off state-owned east German companies.

His joh there is to ettract British investors into real estate, construction, botel and leisure assets now under the agency's control. The appointment, on secondment for at least 12 months from Mowlem, underlines the desire of Treuhand chief Detlev Rohwedder to inject sharper competition into the privatisation by making it more than just a German affair.

The agency has previously signed up e Belgian, AndréLeysen, as a part-time director of its supervisory board. Bnt it has previously had no full-time foreign staff.

"I was the only one to take the initiative," explains Hylton Davies, wbo developed e close relationship with the Treuhand last year when helping to set up Mowlem's Berlin office.

He says ha'll be careful to svoid being sucked into conflicts of interest with the British firm. The Treuhand, which is largely staffed hy West German executives, lives with this problem all the time.

A greater difficulty might be in deciding just wbo owns the real estate he is supposed to be selling. "I'll just have to leave that one to the lawyers," be adds. Another unknown is whether ha will get a company Trabant.

End game

■ It was a case of hunt the punter rather than dodge the stampeding stag in the City of London yesterday. Despite a stock market flirting with its all-time high, applicants for shares in the electricity generators broke with time-honoured privatisation tradition and failed to turn up in droves to hand in their forms ahead of the 10am deadline.

Though it never has been clear why so many want to queue up in the cold to deliver their forms at the last-minute, rather than conveniently drop them off at a bank hranch the previous day, it was felt that the punters had really let the side down.

But the desolate scene may not have been such an embarrassment for a politically astute fellow like energy secretary John Wakeham. Stockbroker Fred Carr, one of the City's more outspoken privatisation critics, recently likened privatisations to "starting off an advanced driving course by involving the pupil in e serious road accident".

Even the Government may be getting tired of the TV pictures of greedy and unknowledgeable last-minute punters.

Sinister call

■ Perhaps it's the loneliness of the Italian Presidency that has affected Francesco Cossiga's control of his tongue. Once discreet and shy, the sensitive man has become an unguided missile, firing one intemperate statement after another.

His latest target is Richard Wallis, chief of Reuter's Rome burean which put out a dispatch which (as this paper has done) spoke of Italy's military contribution to the Gulf coalition as a "token force".

After first protesting to British Ambassador Sir Stephen Egerton, Cossiga publicly called the hapless Wallis "a rascal" and a "son of... something." Then, with a local newspaper suggesting Reuter was collaborating with British intelligence to bar Italian companies from Gulf reconstruction contracts, Wallis received a visit.

The caller, purporting to be from the press office of Rome's police headquarters, gave him a grilling ebont his operations. But on being asked for his name, the visitor seemed to be reluctant to give his business card.

"Not another telephone salesman."

Jumped

■ Richard Brewster deserves a place in the record book. He seems to be the first Guardian young businessman of the year to jump, rather than be pushed, into a smaller job.

After eight years as the force behind the meteoric growth of David S. Smith, the UK's largest paper-producer, he has unexpectedly peeled off to sticky-label-maker Jarvis Porter. The new employer is less than a tenth the size of his previous one and, although Brewster has great ambitions, unlikely to grow into another David S. Smith.

Unlike the stock market – where the shares of both companies jumped sharply on the news – Brewster-watchers who've played his Megadeal board game will not be surprised by what seems at first sight s very strange move.

The object of the game is to make or lose £1m. As Brewster tells it, you can play safe by staying on the board's outside track, and just collect your dividends and rent. Bnt better to choose the inside track, and take risks as a real entrepreneur.

When he joined Smith he had 10 per cent of the equity. Acquisition-led expansion has since diluted it down to ¼ per cent. Worth around £1m, it doesn't sound a lot for all that hard work. If he cashed in his new share-options st Porter, he would make £4.6m.

Bnt Brewster doesn't like talking about such paper profits. "My wife only goes out and spends them," he explains.

Thai light

Mr Anand Panyarachun, eppointed Prime Minister of Thailand in the wake of the recent military coup, ednceted in Britain at Dulwich and Trinity, successful diplomat and thenindustrialist, has a favourite saying about the UK: "The sun never sets on the British Empire", he asserts, "because God never trusted the British in the dark".

Woolly thinking

■ What did the 50 people hopelessly lost in Bristol have in common? IQs of st least 140, that's what. They were a delegation from Mensa, including its president Victor Serebriakoff, trying to visit the city's permanent exhibition of do-it-yourself scientific experiments.

They eventually had to be tracked down and rounded up by the staff of the exhibition, which is called The Exploratory. Its founder, Professor Richard Gregory – an authority on mental processes – said: "They were found wandering around like sheep."

Britain's weapons manufacturers must diversify to avert long-term decline. **Michael Cassell** reports

An industry looks beyond its defences

Marconi Defence Systems is more used to helping protect the nation than assisting in its entertainment. But though the company, part of GEC-Marconi, may be more at home developing missile detection systems, it has found a useful sideline in manufacturing satellite television dishes.

This is a basic illustration of the challenge of diversification and adaptation facing Britain's defence industries. Says Sir Donald Hall, GEC-Marconi's deputy chairman: "We have probably got to find one such product every year if we are to offset the decline in our traditional business."

It is a challenge which the war in the Gulf will not affect. For despite the unprecedented opportunity it provided to test allied weaponry, the war was less a timely bonus for the defence sector than an event that brings into focus its projected, longer-term decline.

Even as Mr Tom King, the defence secretary, tots up equipment replacement costs, more defence manufacturers are being forced into announcing cuts and redundancies.

Dowty Fuel Systems has announced 300 job losses in the wake of Ministry of Defence spending cuts. GEC Ferranti is shedding 350 jobs in Scotland, blaming a general decline in defence orders. VSEL Consortium, the Cumbrian ship and submarine yard, is seeking more than 500 redundancies as part of a programme intended to shed another 1,500 jobs.

Meanwhile, Vickers Defence Systems waits patiently for a government decision, postponed because of the war, about an order to replace the army's ageing Chieftain tank. Specialist engineering skills and more than 2,000 Vickers jobs are effectively in limbo until the MoD makes up its mind.

With Britain's defence spending below 4 per cent of gross domestic product for the first time since the Second World War, the military budget is set to drop by 6 per cent in real terms by 1993-94. The uncertainty is exacerbated by the government's present defence review, which despite the Gulf conflict will bring further extensive cuts in equipment and manpower, with manufacturers claiming that domestic equipment orders – now worth about £8bn a year – could fall by between 20 and 30 per cent in the medium term.

Nor are exports any longer a panacea. Sales to arms-hungry markets such as the Middle East, now destined to become politically much more sensitive, will not bridge the gap left by the demise of the Warsaw Pact military threat which is already affecting European defence markets. Some estimates suggest equipment requirements across Europe could fall by one quarter by the mid-1990s, with production declining from $35bn (£18.1bn) a year to $25bn.

Present levels of UK defence spending are calculated by the government to support, directly or indirectly, about 620,000 jobs, half as many as 25 years ago. The expectation among defence equipment suppliers is that the figure could be under 500,000 within five years.

As the severity of the plight of British defence industries sinks in, equipment suppliers are starting to call for government help in their efforts to adjust, and the issue is rekindling political controversy.

Mr Alan Clark, the outspoken minister of state for defence procurement, acknowledges that the outlook for the defence companies appears bleak but says the challenges of adapting to changing times are "purely matters for the commercial judgment of the companies concerned".

In response, Mr Gerald Kaufman, the shadow foreign secretary, has accused ministers of "not lifting a finger" to save defence industry jobs such as the 5,000 to be lost in the British Aerospace military aircraft division.

Should it win the next election, the Labour party is pledged to establish a defence diversification agency, located within the MoD and funded from its budget, to encourage the transition of the defence sector.

Mr Martin O'Neill, Labour's defence spokesman, believes obstacles to diversification have included management complacency and workforce indifference, both helping to perpetrate an overwhelming sense that the "worst" would never come to pass.

He says the agency would limit itself to an enabling role to help management and unions through the transition.

The defence industries themselves are becoming increasingly outspoken in their criticism of the government's detachment. Mr Brian Lowe, director-general of the Defence Manufacturers' Association, says that the reduction in the domestic defence equipment programme makes it all the more important that those companies in areas where there is likely to be overcapacity are helped to diversify.

"Regrettably, there is little evidence that the British government sees the need to take positive action to strengthen the national industrial base," he says.

He claims that powerful disincentives to research and development – such as the shift away from "cost-plus" contracts to competitive tendering – have coincided with a change in the government's stance on its own support for R&D. Mr Lowe points out that while the US government's expenditure on defence R&D grew throughout the 1980s and remained static in France and West Germany, it has declined significantly in real terms in Britain.

The defence sector trade unions, which have been active in formulating their own diversification strategy, are critical of government *and* management. A new report jointly drawn up by three unions well represented in the defence sector accuses management of inaction in the face of overwhelming evidence that high levels of defence spending could not be maintained.

Mr Tim Webb, national officer of MSF, the general technical union, concedes that attitudes within the defence sector are slowly changing but says too many proposals for using existing skills to produce alternative products are still treated with scepticism.

Irrespective of the political debate, defence equipment manufacturers are in any case reassessing their future. It will be much more problematical for some than for others. Those most likely to be badly hit are involved in producing weapons systems focused heavily on traditional Warsaw Pact-Nato operations, including heavy artillery, and strike aircraft.

VSEL is among those facing acute difficulties. With the Trident submarine programme having peaked and the prospect for orders for other vessels looking uncertain, the group is in the final stages of devising a strategy to ensure its survival.

Mr Noel Davies, the chief executive, says the outcome will be announced very shortly. He has previously hinted that the group may seek to establish itself as a heavy engineering centre to serve European markets.

British Aerospace, the UK's prime defence contractor, has reduced its dependence on the defence sector to the point that it accounts for less than half of group turnover. Having acquired Royal Ordnance, Rover Group, the property development company Arlington Securities, and Ballast Nedam, the Dutch contractor, BAe is keen on becoming a force in the construction world.

Mr Bruce Ralph, deputy chief executive of Dowty Group, which has substantially reduced its exposure to the defence sector, acknowledges there are no "quick fixes" in converting a military business to civil markets: "It has taken us six years of very hard work to get our military aerospace activities down from nearly 60 per cent of turnover to 33 per cent."

Mr Ralph is wary of government intervening in the diversification process but says it could help by orchestrating a smooth run-down in orders and in providing tax breaks to encourage the necessary research and development.

Sir Donald Hall, of GEC-Marconi, is against the creation of government bureaucracies to tackle the challenge, but emphasises that other markets beyond defence are in the gift of government, including those associated with protecting and improving the environment. In the end, though, he acknowledges that the defence industries will have to opt for "intelligent self-help", rather than waiting for the cavalry to turn up and save them.

Vickers awaits a decision by the MoD that could determine the future of the Challenger 2 tank

Privatisation and employee share ownership

It is still 'us and them'

By Theo Nichols and Julia O'Connell Davidson

One of the most enduring claims the British government makes for its privatisation programme is that it has increased the involvement and motivation of privatised companies' employees through share ownership.

The privatisation of the electricity industry marks a further extension of employee share ownership. What are the effects of such an extension likely to be? A Confederation of British Industry survey earlier this year found that 80 per cent of companies with employee share-ownership schemes did think they helped to motivate the workforce. This survey, however, relied on the opinions of company chief executives. Less has been heard from those in privatised companiea. The preliminary results of a survey funded by the Economic and Social Research Council, involving 255 employees of a privatised utility, fill part of this gap.

In this utility (anonymous at the request of its management), employees – including manual workers – had become shareholders to an unsurpassed degree. More than 90 per cent of employees owned shares in the company, and almost half joined the company's share-save scheme. But the survey found little to support the government's claims about employee motivation.

Nothing suggested that share ownership had changed the attitude of manual workers towards the company. As the table shows, 77 per cent of manual workers denied that ownership of shares made employees more careful with company equipment, materials and time. The same number denied that shareholdings made employees work harder.

These findings might be put down to the fact that for manual workers, dividends and potential capital gains are very small in comparison to wages. Yet the lack of faith in the power of share ownership to affect employee behaviour was not confined to manual workers. Their views were substantially echoed by clerical workers and, perhaps more surprisingly, by managers. More than 80 per cent of both managers and manual workers disagreed with the proposition that employee share ownership allowed employees to influence the running of the company.

More striking still, the view that employee share ownership replaces "us and them" attitudes with a sense of common purpose was rejected not only by 87 per cent of manual workers, but also by 94 per cent of management. In this utility at least, the government's dream of replacing class divisions with share dividends does not appear to have been realised.

In fact, the only point on which clear disagreement between workers and managers emerged was the question of whether share ownership rewarded employees better than wage increases. Even then, however, only 31 per cent of managers could be mustered to endorse the benefits of employee share ownership.

Increased worker motivation and participation through share ownership is, of course, only ona of the alleged benefits of privatisation. Government ministers may seek solace in the idea that even if giving employees a stake in their company does not change worker motivation and behaviour, the discipline of the market will improve the company's performance. Again, preliminary results from our survey suggest that employees in the privatised utilities may not share this confidence.

Only 23 per cent of manual and 26 per cent of clerical workers thought that privatisation had made their company more vigorous and efficient. About the same number agreed that the company now provides a better service.

Perhaps more worrying for ministers, only half of the managers surveyed were convinced privatisation had improved the company's performance. Meanwhile, the response to a question asking if the company is now run by people who do not really understand the industry demonstrates that divisions between management and workforce perceptions persist. Less than 5 per cent of senior managers believe that the company is now run by people who do not really understand the industry. But nearly 20 per cent of junior managers and more than 30 per cent of clerks do.

The eradication of barriers between managers and workers through employee share ownership and profit-related pay has been one of the key planks of Conservative party industrial policy. But employee *share ownership* was also supposed to contribute to a far deeper political change. Companies peopled by "worker-capitalists" were to be at the forefront of an offensive against class divisions, the destruction of which was to spell an end to socialism. The survey not only strongly suggests that tha grand strategy is doomed to failure, it also raises the question of whether anything at all has been achieved.

Theo Nichols is reader in sociology at Bristol University and Julia O'Connell Davidson is lecturer in sociology at Leicester University.

DOES EMPLOYEE SHARE-OWNERSHIP:

	Yes	No	Don't Know/ Non-response
a) Make employees more careful with company equipment, materials and time?			
Managers (n=55)	27	67	6
Clarical (n=109)	16	64	20
Menuel (n=91)	15	77	8
b) Get rid of "us and them' feelings between workars and managers?			
Managers (n=55)	6	94	0
Clerical (n=109)	5	76	19
Manual (n=91)	7	87	6
c) Make amployees work harder?			
Menagars (n=55)	9	80	11
Clerical (n=109)	10	71	19
Manuel (n=91)	14	77	9
d) Reward employees better than wage increases would?			
Manegers (n=55)	31	56	13
Clerical (n=109)	15	59	26
Manual (n=91)	18	80	4

LETTERS

Coal cannot be run solely according to market forces

From Mr P E Heathfield.

Sir, Your Leader "A Future for British Coal" (March 5) was no doubt intended to be provocative. Following the fair assessment of the coal industry's problems by Juliet Sychrava and David Thomas the previous day, it obscured the central issue: the actual survival of the coal industry.

Decisions are now being taken that will lead inexorably to the death of modern deep mining in the UK unless a halt is called.

British mining conditions require e sophisticated technical base for our large mines to survive at all. This been forgotten in the rush to the market. In spite of the devastation of recent years, the industry has clung on to this technical base, founded on the £12bn investment since 1974 and the world's most advanced mining technology.

High technology mining will not survive another big round of closures. Without large, long-term contracts with the electricity generators beyond March 31 1993, the government's new coal privatisation plans will be irrelevant; there will be nothing left to sell.

Energy industries, because of their strategic nature, cannot be run solely on the basis of market forces. While the government has utterly accepted this truism in the case of nuclear power and persuaded the European Commission to agree that nuclear should be paid over twice its market price, it continues to force coal prices down to the artificially low world price. Where is the free competition?

Both the article and the Leader in the Financial Times raised more qnestions than answers. Let me put these another way:

If the European Commission accepts that the present world coal prices are unsustainable, wby doesn't tbe UK government offer some protection from dumped pricing?

If the gas price increase of 35 per cent now means that electricity generated by gas turbines will cost 2.9p a unit (kilowatt bour) instead of 2.5p, what makes the government so sure that tbe next increase will not take gas well above the cost of electricity generated from British Coal?

If the Soviet Union becomes e net oil importer by 1993, as Soviet officials prediet, and needs more of its own gas, what then happens to "unlimited" gas supplies?

If elean coal technology, much of lt originally developed in Britain, is already in widespread use in other countries, why doesn't the government encourage its use here?

Cao tbe Department of Energy tell us what will be happening in the Middle East in three or four years, or what the oil price will be?

These are short and medium term considerations. The long term consequences of throwing away the security of our coal reserves are unimaginable.

P.E. Heathfield,
secretary,
National Union of Mineworkers,
Holly Street,
Sheffield, S Yorks

Banks' acumen in business

From Mr Brian Warnes.

Sir, Colin Clark (Letters, *March 6*) seemed to cast doubt on the business abilities of the banks.

The classic "hnainess" response to the current situation is to ent turnover and increase margins, which is what tha banks are doing: cutting lending (turnover) and increasing interest and fees (margins).

Whether their customers welcome the outcoma is another matter.

Brian Warnes,
managing director,
Business Dynamics,
13 Blackheath Village, SE3

A useful basis for valuation of the stock market

From Mr D.P. Charters.

Sir, In his article "Why investors feast among the famine" (Marcb 2), Barry Riley described many of the reasons for the rapid rise in the stock market over the last few months. There is one glaring omission, however: the valuation basis of the UK market.

During the period between the top of the market and the bottom, which it reacbed in late 1990, the yield on the FTSE 100 Index bad virtually doubled and the price/earnings ratio had halved. The cause of this enormous shift in the valuetion basis was two-fold: share prices bad fallen from their peak but, just as importantly, company profits and dividends had risen steadily over a three-year period.

History relates that once tbe stock market reaches a yield of 6 per cent it begins to look like good value to pension fund managers. Equally, as in 1972 and 1987, yields of less than 3 per cent become unattractive. This is an old-fashioned measure of value but still a valid one.

D.P. Charters,
managing director,
Investment Research of Cambridge,
28 Panton Street, Cambridge

Apologies to Beattie

From Mr Richard Woollam.

Sir, In our response (Letters, March 4) to your leader on the cabling of the UK (February 28), we included an error in the final paragraph: "... BT should be stopped from providing telecoms services ..." should have read "television services".

The cable industry favours competition and would not presume to exclude even BT from telecommunications through regulation.

Richard Woollam
director general,
Cable Television Association,
50 Frith Street, W1

Cure for exchange rate worries

From Mr David Blunkett MP.

Sir, In a recent Radio 4 discussion on the state of the British economy, I heard the most astonishing statement which offers us the answer to all our economic ills.

The "economist" said: "As the level of exports to the US drops, the relative importance of the exchange rate with the dollar will become far less significant."

The logic is simple. Once we eease exportlng altogether manufacturers won't have to worry about the exchange rate.

David Blunkett,
MP for Sheffield Brightside,
House of Commons, SW1

Scottish business rates are higher

From Mr S. Fergus Ewing.

Sir, Richard Shepherd MP, bemoans the combined effects on many businesses of "moving to a common *poundage* at the same time as the first rating revaluation since 1973" (Letters, March 4).

He does not mention that his figures and arguments apply only to England and Wales. North of Hadrian's Wall we have suffered revaluations in 1978 and 1985.

The common poundage of 38.6p does not apply in Scotland, where, for example, Glasgow businesses must pay 67.9p and those in Edinburgh 61.5p. But rateable values are set according to the sama rules for most types of premises. So, a shop in Oxford will pay £10,000 while a comparable shop in Glasgow must pay £17,590. Last year Scotland pald £458m extra. This year it is £400m.

Fergus S. Ewing,
Small Business Spokesman,
Scottish National Party,
Speedwell,
Drymen, Glasgow

Dumping of chips was a fact

From Mr John Thynne.

Sir, Your leader ("Free trade in chips", February 21) said the US-Japan semiconductor agreement followed a "spate of anti-dumping and complaints of unfair trade", and invoked the Gatt to belabour the US.

It failed to make clear that unfair trading by Jepenese semiconductor manufacturers, in the form of damaging dumping on a huge scale, was a fact – as confirmed by the exhaustive EC Investigation whose findings the Japanese did not contest. The US and European semiconductor industries are fully entitled to object to such contravention of the Gatt by their Japanese competitors, and to expect that "free trade in chips" sbould also be fair.

John Thynne,
director-general,
Electronic Components Industry Federation,
399-401 Strand, WC2

FINANCIAL TIMES
Thursday March 7 1991

US offers concessions for Heathrow rights

By Nancy Dunne in Washington

US NEGOTIATORS are offering numerous concessions in talks with Britain in a concerted attempt to gain landing and takeoff rights at London's Heathrow Airport for United and American Airlines. The talks are to resume today in Washington.

The Americans have offered, on a short-term basis, new rights and opportunities for British Airways and Virgin Atlantic to fly to US cities on an exclusive basis from Heathrow. They would also allow flights to the US and beyond to points in Latin America, Canada, and Asia.

These include some markets of dubious value – such as Bolivia and Ecuador – as well as Chile, Peru and Venezuela. But the US has also agreed to allow flights from US cities to Korea, Taiwan, Indonesia, Malaysia, New Zealand and Singapore.

The hitch is getting approval from the governments of the new destinations. Also, the UK government wants Australia added to the list and the US has so far refused.

The US tentatively agreed to British demands for the right to operate services to the US jointly with carriers from other European countries, providing that the UK ownership is less than 50 per cent.

The British decision this week to open Heathrow to all airlines also paves the way for a settlement. US concern about the future of ailing Pan American and Trans World Airlines, which want desperately to sell off their Heathrow landing rights to United and American Airlines respectively, is likely to produce a number of concessions enhancing British opportunities in the lucrative US market.

Time is short for Pan American, which is due to make a payment to its creditors on Friday. The sale of its route to United is contingent on British government approval of the transfer of landing rights.

The British, dealing from a strong hand, have demanded wider rights to service the US market.

They are also using the opening to link the agreement with relaxation of current rules on foreign investment and the right to fly between American cities. However, concessions in these areas would first need approval by Congress.

Overhaul of British aviation is in the air

Paul Betts assesses the reaction to opening London's Heathrow airport to all airlines

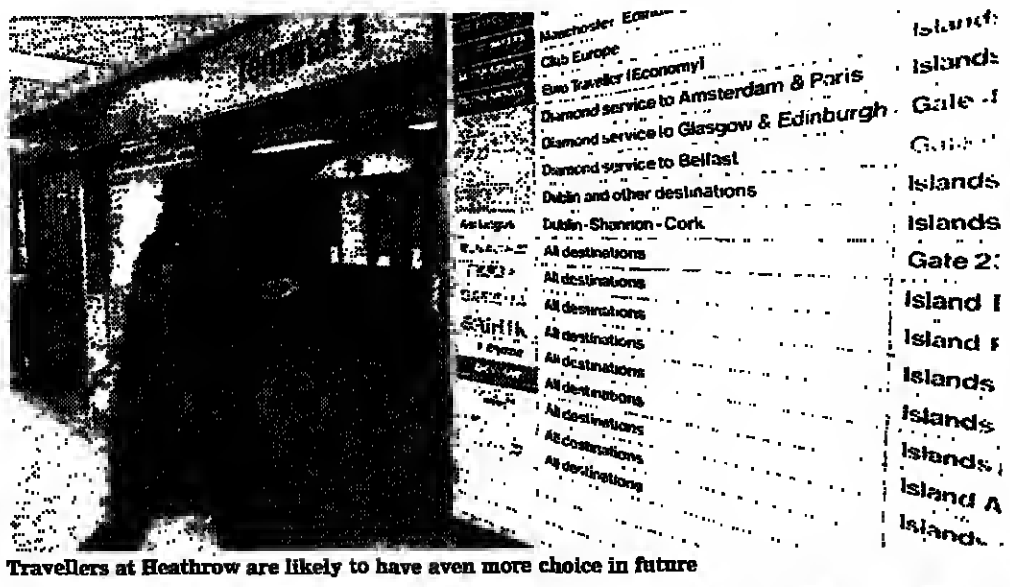
THE BRITISH aviation industry has been in commotion since the government's decision on Tuesday to open Heathrow, one of the world's busiest international airports, to all airlines.

Although Mr Malcolm Rifkind, the transport secretary, sought to play down the immediate impact of the move, the scrapping of the rules restricting access at Heathrow has big implications for the UK and international airline industry. Up until now, only airlines which had operated at Heathrow before 1977 were allowed to use the airport.

Mr Rifkind has set the stage for a sweeping overhaul of British civil aviation, cleared the way for an agreement on a more liberal bilateral air service regime between the US and the UK, and underlined the UK's commitment to an "open skies" policy.

He told parliament on Tuesday: "Needless intervention through rules and regulations harms the industry and harms the interests of passengers." He said last week: "You can assume that I start off with the philosophical bias in favour of liberalisation. That philosophy will only be qualified if I am convinced that there are sufficient practical reasons why some limit on that liberal approach is justified."

Despite heavy lobbying from British Airways, some Conservative MPs, regional airlines and local authorities, Mr Rifkind was clearly not convinced that maintaining the status quo at Heathrow was in the public interest.



Travellers at Heathrow are likely to have aven more choice in future

The Heathrow rules, introduced in the late 1970s, had become out of date. By restricting new airline services at Heathrow, the aim was to encourage greater use of Gatwick, London's second airport, and ease the growing congestion at Heathrow. The rules also aimed at preventing Heathrow from being overrun by foreign airlines at the expense of British carriers, especially – then state-owned.

The situation has changed. In the past 10 years, air travel has grown explosively, and the government has introduced competition.

Although London is served by airports including Gatwick, Stansted, Luton and London City, everybody wants to fly to Heathrow. Its attractions are its huge passenger volume – more than 40m last year – and its high proportion of transit traffic.

The fact that United Air Lines and American Airlines have been prepared to pay $290m and $445m for the Heathrow landing rights of Pan American and Trans World Airlines respectively is an eloquent indication of the value airlines place on access to the airport.

The US administration has been pressing the UK for months to approve the Pan Am and TWA route transfers. The UK has sought concessions for UK carriers in the domestic US market before agreeing to any new bilateral deal.

Mr Rifkind's decision is likely to have the heaviest impact on BA. Heathrow has traditionally been the airline's main base. It now faces the prospect of stepped-up competition from international carriers lining up for access to Heathrow.

It will also come under increasing challenge from Virgin Atlantic, the UK long-distance airline owned by Mr Richard Branson.

Mr Branson said he hoped to start services from Heathrow to New York and Los Angeles in late spring or early summer. "I am absolutely convinced that moving to Heathrow will allow us to reduce fares by 15 per cent."

BA's official reaction was subdued. "We note the government's decision," the airline said. "We already have competition on virtually every route we fly from Heathrow. We do not fear a little more."

However, in a submission to the Civil Aviation Authority last year, BA said that lifting the ban on new airlines would weaken its ability to develop domestic and international services from London's biggest airport.

The timing of the decision could not have come at a more delicate moment for BA. Like other international carriers, it is suffering badly because of the recession and the impact of the Gulf conflict on air travel.

Mr Rifkind emphasised that the abolition of the traffic distribution rules was likely to have only a "modest" effect on operations at Heathrow because the airport was already virtually 90 per cent full. He added that the decision did not imply that landing and take-off times, or "slots", would be available for airlines newly allowed access.

Last week Mr Rifkind commented that a government report into the issue of slot allocation confirmed "my fears that the present system could hamper progress in opening the industry up to more competition and constrain the liberalisation of air services in Europe". That strongly suggests that his decision to open up Heathrow is likely to be followed by other related moves to liberalise further an industry which, in Mr Rifkind's own words, combines the most modern state of the art with rules straight out of Byzantium.

Airport job cuts, Page 7

India faces election as Shekhar coalition government collapses

By David Housego in New Delhi

A GENERAL election in India looked inevitable last night after Prime Minister Chandra Shekhar resigned and all political parties supported his demand for the dissolution of parliament.

The collapse of Mr Shekhar's four-month government came as a result of what senior ministers described as "an unbridgeable gulf of distrust" between the prime minister and Mr Rajiv Gandhi, the Congress party leader.

Mr Shekhar, with a party of only 54 in the 525-member house, was dependent for his survival on the support of 211 Congress party votes. For the past two days, the Congress party had boycotted parliament in what Mr Shekhar regarded as an attempt to humiliate him.

The resignation caught the Congress leadership off balance and means that Mr Gandhi goes into the election facing accusations of irresponsibly bringing about the downfall of the government.

Fresh elections, which could be *held next month or in May,* seem unlikely to result in a clear win by any one party and could lead to yet another unstable coalition government. The party most likely to gain in strength is the radical Hindu BJP.

The elections will be held in the aftermath of some of the worst caste and Hindu-Moslem violence India has seen since independence and under the shadow of an economic crisis.

Ministers recognise that foreign exchange reserves will be depleted again by the beginning of next month and that a caretaker administration will be in no position to undertake negotiations with the IMF over fresh borrowing.

One possibility being considered by officials as a "last option" would be commercial borrowings on the strength of India's gold reserves.

At one point yesterday, President R. Venkataraman was considering calling on Mr Gandhi to try to form a government.

This was ruled out, however, when a deeply-divided Congress party opted for elections.

Mr Gandhi has attempted in recent weeks to replace Mr Shekhar's government. But his soundings failed to assure him of the necessary support in parliament.

Mr Shekhar was yesterday asked by the president to carry on as head of a caretaker administration.

Before parliament can be dissolved it will need to pass a "vote on account" to enable the government to meet its expenditure commitments after the end of the financial year on March 31.

The vote is necessary because the government had earlier postponed the budget under pressure from Congress.

The final split between Mr Shekhar and Mr Gandhi came over a minor issue, but one that demonstrated the growing distrust between the two men.

Mr Gandhi called for the parliamentary boycott after two members of the Haryana state police were found keeping his house under surveillance.

Gandhi determines to take back power, Page 3

Hong Kong will use bond market to finance airport

By John Elliott in Hong Kong

HONG KONG is to enter the international bond market later this year when it will raise short-term money to help finance HK$100bn ($13bn) plans for an international airport and allied infrastructure projects.

This was announced yesterday by Sir Piers Jacobs, the financial secretary, in his annual budget which was primarily aimed at preparing for the airport project by curbing public expenditure and increasing indirect taxation.

Sir Piers also announced that the colony's GDP grew by 2.4 per cent in real terms last year and forecast an improvement to 3.5 per cent this year. Inflation, measured by the consumer price index, averaged 9.8 per cent last year compared with 10.1 per cent in 1989, and is forecast at 9.5 per cent this year.

The government has not borrowed internationally since 1984, although its Mass Transit Railway Corporation is a substantial and highly rated borrower with HK$17bn outstanding debt.

Now it intends to use international markets to boost its funds during construction of the airport, which is to be financed by both public and private sectors. It plans to start in the autumn with an issue of HK$500m to HK$1bn on two or three-year maturities and gradually build up, if the market responds, to 10-year money.

Long-term bonds, however, would pose political problems because they would mature after 1997 when Hong Kong reverts to Chinese sovereignty. That would require approval from China which is currently trying to persuade Hong Kong to phase the airport plans. China has been informed of the short-term bond-raising plan and has raised no objections.

Construction of the airport is expected to reduce the government fiscal reserves from HK$72.7bn at the end of the current financial year to between HK$5bn and HK$30bn by 1997 when the first stage is scheduled to be completed.

Yesterday's budget was designed to reduce direct taxation by HK$340m, increase indirect taxation by HK$3bn and produce a consolidated surplus of HK$1.3bn on revenue totalling HK$102.8bn.

Surplus Soviet military gear goes under the hammer

By Leslie Colitt in Berlin

ANYONE in the market for 700,000 Soviet Army ABC gas masks ("for protection against nuclear radiation, biological or chemical agents"), anti-aircraft missiles, 123mm tank shells or river landing craft need only contact the West Group of Soviet Forces in east Germany which is staging one of the most remarkable "going out of business" sales of the post-Cold War era.

Surplus Soviet military equipment worth billions of dollars was previewed this week at headquarters of the Soviet Garrison in Berlin which is scheduled to leave east Germany along with the rest of the 350,000-man Soviet forces by the end of 1994.

Enough military paraphernalia was shown to supply Army and Navy Surplus stores for generations and possibly even other armies.

Bids will be accepted all next week at the Soviet garrison in Berlin-Karlshorst where the gates will be thrown open to buyers from 10am to 2pm.

Soviet officers at the preview, however, said the freshly painted T-72 tanks – of the type recently blitzed by the hundred in Iraq and Kuwait – lined up next to the display of surplus equipment were definitely not being sold.

But someone in need of ageing MiG 15s, 21s and 23s, Sukhoi-7s or JAK 27 fighter bombers – all solely for "use by museums", the officers insisted – or two tank repair facilities in Leipzig and Kirchmöser, Brandenburg – was welcome to bid.

One of the more intriguing items was the model of a military airfield, location in east Germany undisclosed, with reinforced concrete aircraft hangars resembling those bombed in Iraq but built between 1937 and 1939 by "German special constructors" and recently "modernised".

A spokesman for the Soviet Command in east Germany explained that the installations on the airfield were for sale but that the property itself would revert back to the German government or former private owners.

A German Bundeswehr officer at the preview suggested that perhaps building companies might be interested in carting away some of the installations.

Some 30,000kg of barbed wire is also on offer along with 30,000 hatchets – smaller lots available – and 15,000 270g "waterproof" Soviet officers' caps. Thousands of them have already been sold by enterprising Soviet officers in east Germany to bulk buyers who resell them to westerners for an average of DM50 ($33) apiece.

Colonel-General Matvey P. Burlakov, Commander of the West Group of Soviet Forces, in a pre-sale chat, noted that the Soviet army was prepared to sell the DM10.5bn in buildings and other installations it owned in east Germany in order to finance the building of 19,000 additional flats in the Soviet Union for returning officers and their families.

WORLDWIDE WEATHER

Temperatures at midday yesterday C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

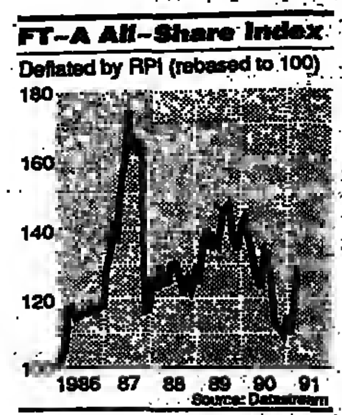
THE LEX COLUMN

The stampede out of money

However surprising the behaviour of world markets in the past couple of days, it is not beyond accounting for. Now that the Gulf war and the oil price have vanished from investors' minds, they are left to concentrate on the prospect of *falling returns on* cash around the world. Those who were afraid to be in shares are now afraid to be out of them: the standard recipe for a buyers' panic. The indiscriminate nature of this was best seen yesterday in Germany, where interest rates are not weakening at all. German equities went up by 3.5 per cent just the same.

In markets driven so much by sentiment rather than fundamentals, the next move is hard to call. But there is a growing sense that present valuations may be justified by the stage in the cycle, the US possibly excepted. The case for the UK is illustrated by the FT-A All-Share index adjusted for inflation, as shown in the *chart. Leaving* aside the follies of 1987, the market is some 10 per cent higher in real terms than it was in 1986. Since the huge growth in earnings and dividends of the late 1980s is certainly not about to be repeated, it might be asked why equities should be so high. One answer is the 10 per cent growth in GDP over the period. Another is that while growth prospects may be lower, so are prospects for inflation.

The most obvious danger in all this is that investors could re-examine their growing assumption that the US economy has reached bottom, for instance with the US unemployment figures on Friday. But for every investor taking profits in these markets, there could be two still trying to get in.



SmithKline

Even in yesterday's hectic market, there was a touch of *froth* about the UK pharmaceutical sector. SmithKline Beecham produced figures precisely as expected. Its shares went up 5 per cent, as did those of Fisons. Glaxo was unmoved, presumably because it had gone up 5 per cent the day before and 2 per cent the day before that. But SKB's rating of around 16 times prospective earnings looks fairly solid. Earnings growth at around last year's 12 per cent was always on the cards until 1992, as a result of cost-savings through the merger. There is now a growing conviction that the merger is working on a more fundamental level: hence the share price outperformance of some 35 per cent against the London market in the past seven months.

There remains the question of which share is more attractive, the UK version or the cheaper US equivalent. The present discount of just over 13 per cent in the US price is towards the top of a range which has swung between six per cent and 14 per cent in the eighteen months since the merger. While the two classes are for almost all purposes identical, the crucial difference for a non-US investor is the 15 per cent withholding tax on the dividend. Since some funds can recover this, the gap should be a good deal less than 15 per cent and should in any case never exceed it. It may be doubted whether US investors will ever think as highly of SmithKline as UK investors do of Beecham, or indeed whether selling by US holders is yet over. Allowing for that, the US units still look the better bet.

Cadbury Schweppes

A glance at Cadbury's cash flow statement for last year neatly demonstrates its management's strategy. Working capital was squeezed by a quarter as new businesses were streamlined. Pre-tax profits climbed by 14 per cent to £280m. There was a net cash inflow of £20m despite record marketing and capital expenditure. Gearing at just under 50 per cent will need to come down further; but the main financial ratios look pretty comfortable. Cadbury can boast simple interest cover of just under 6; counting in the preference dividend, the full *charge is covered 4.7 times.*

The trading performance includes the odd blemish. While the UK had an outstanding year in both soft drinks and confectionery, profits growth elsewhere was much less convincing. Without the effect of acquisitions, there was a net reduction in non-UK profits of £10m, so a steady trickle of deals has been vital to earnings momentum. Poulain in France is struggling after a losing battle with the supermarkets and a sticky diversification into milk chocolate. In Australia, the non-renewal of the Pepsico franchise hit profits hard.

If this year sees a slowdown in the UK, there will be some question over earnings. Last year's underlying 9 per cent growth was hardly stellar stuff, but Cadbury will do well to match it. At 378p, assuming £315m pre-tax profits this year, the shares are on a prospective p/e of 14. That looks fair value, even with yesterday's assurance that there will be no rights issue. Optimists should wait until the monopolies report on UK soft drinks is out of the way.

BICC

BICC was pretty cautious yesterday about when its earnings will resume an upward path. There were fresh promises to do better in Australasia, the *source not so long ago of 40* per cent of group operating profits. There were reassuring noises about the order book for Balfour Beatty contracting, though not much optimism that housebuilding or property have yet bottomed out. And there was justified satisfaction at the performance of european cables, despite the setback in Spain where Telefonica has sharply cut its requirements. None of this, though, will have changed the market's view that 1991 will be another *flat* year.

It is meanwhile just a little cheeky for Sir William Barlow to maintain that BICC starts the year with no net debt. The £29m of net interest payable is partly attributable to £177m of convertible capital bonds, which for most people's money count as *borrowings.* In addition, BICC's working capital is seasonally low at the year end. There is some £250m of off-balance sheet finance included in associates, of which £130m has recourse to BICC, plus an as yet undetermined liability for the cost of increasing BICC's stake in the Spanish company GEGC which is treated effectively as a deferred interest free loan and included under creditors. In BICC's defence, it should be pointed out that there is no put option on the convertible.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 7 1991

INSIDE

CRA profits fall 27%

Mora bad news from tha recession as CRA, tha Australian mining group 49 per cant ownad by Rio Tinto Zinc of the UK, announcad a 27 per cent tall in net profits. But thera was soma room for ralief as most analysts had axpacted a sharper fall. Kevin Brown reports. **Page 15**

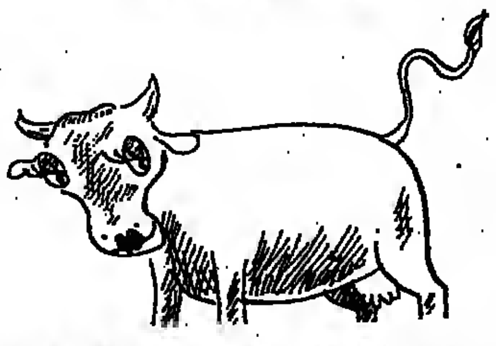
Glowing with pride

He looks avery bit tha City genl. But under tha business suit baats the haart of an angineer. Ken Jackson (left) is responsible for one of the world'e most complax construction projects, tha tharmal oxide reprocessing plant which has just begun a two-yaar commissioning programma et Sallefiald. David Fiahlock talks to Jeckson about hie plana. **Paga 23**

Optimism at the top

Piet Badenhorst la the key to undaretanding the success ot UBS in its bitterly-contasted battle for the contrnl of tha Allied group in South Africa. The anergatic chief axecutive of what will become the country's largast financial institution ia viewed by meny competitors as a formidable opponent. **Page 15**

Pain in the plains of Spain



Sultan tha bull is mourned by farmers throughout Spain. The $1m beast met an untimaly and after injuring himself while lunging at a particularly coy cow. Sultan's damise was a setback for governmant efforts to improva dairy herds. Time la of the essence for Spanish farmars trying to modernise their practices as they anxiously await tha outcome of EC proposals to raview financial incentives. **Page 24**

Fairey rises 16% to £14.6m

Fairey, tha diversified engineering group, pushed pre-tax profits 16.2 per cent higher for the year largaly dua to a three-fold increase in net interest receivabla and improved margins in its electronics and aerospace and defance divisions. Derek Kingsbury, chairman, said Fairey hoped to make a sizeable acquisition this year. **Page 22**

Ecu bond futures contract

Prices of tha naw Ecu bond futures contract will be listed on tha currencies page from today. Yesterday'e prices are on **Page 32.** Steady start to first day's trading, **Page 18**

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	243.5	+	10.5
Bayer-Hypo	381.5	+	18.5
Fag Kugelfisch	280	+	17
Volkswagen	372.5	+	12.5
Falls			
Aachen Mch Reg	780	–	20
Herlitz	390	–	10
NEW YORK ($)			
Rises			
Apple Computer	64½	+	1⅝
IBM	124⅛	+	⅝
Imexunex	54½	+	2
Philip Morris	68¼	+	¾
Falls			
Genetics Inst	37¾	–	24¾
Microsoft	110⅛	–	1¼

New York prices as at 12.30pm.

PARIS (FFr)			
Rises			
Accor	825	+	23
Club Med	521	+	20
Legrand	3972	+	174
Valeo	471.7	+	21
Falls			
Printemps (Au)	862	–	15
Skis Rossignol	736	–	21
TOKYO (Yen)			
Rises			
Noman	780	+	100
Neigai	1200	+	150
Tanikugi Mach	640	+	70
Falls			
Iinol Steamship	571	–	40
Meiji Shipping	1210	–	90
Nihon Nohyaku	1180	–	100

LONDON (Pence)			
Rises			
ASD	78	+	35
A.B. Ports	230	+	24
Bowater	584	+	29
Brent Walker	61	+	10
Brit Telecom	335	+	18½
Cadbury Schw	378	+	14
Fairey	254	+	23
Fisons	461½	+	20½
Geevor	15	+	5½
Inchcape	313	+	16
Jarvis Porter	133	+	28
[illegible]	125	+	10
NMC	83	+	13
Rothmans B	813	+	33
Smith (DS)	336	+	17
SmKl Bchm A	755	+	33
Standard Chtd	323	+	29
Thames TV	299	+	11
Thorn EMI	755	+	36
Falls			
Blue Circle	271	–	11
Egerton Tst	14½	–	4
Tellos	106	–	6

SmithKline Beecham up to £860m

By Clive Cookson in London

THE RUN of strong financial performances by pharmaceutical companies continued yesterday when SmithKline Beecham reported 1990 pre-tax profits up 19 per cent to £860m ($1.62bn).

"This has been a terrific year," said Mr Bob Bauman, chief executive. "We created a new company and achieved our financial and operating objectives in the first 12 months of operation."

SB was formed in July 1989 through the merger of SmithKline Beckman of the US and Beecham of the UK.

Trading margins improved from 17.0 per cent to 20.8 per cent, as SB took advantage of the merger to cut costs and eliminate duplication between the two former companies. By operating as a single company, the group managed to close 17 production plants, 17 distribution facilities and 14 offices. The workforce was reduced by 2,900, or 6 per cent of the total.

Progress in paying off the debt that financed the merger was well ahead of schedule, Mr Bauman said. Net debt decreased from £1.75bn at the end of 1989 to £576m at the end of 1990, and gearing was now down to 80 per cent. This was achieved by a combination of disposal of non-pharmaceutical businesses, cash flow from continuing operations, and the issue of new preference shares in the US.

Mr Bauman said the disposals programme was now complete, but the strong trading performance expected in 1991 should enable SB to reduce gearing to 50 per cent by the end of the year.

Earnings per share rose 12 per cent in 1990 to 41.0p. SB raised its dividend from 3.4p to 3.8p for the final quarter, making a total payment for the year of 14.0p (12.5p). Mr Hugh Collum, finance director, said future policy would be to increase dividends in line with earnings, maintaining cover at this year's level of 2.5 times.

The net effect of currency fluctuations in 1990 was to increase SB's pre-tax profits 4 per cent and reduce turnover 3 per cent. Therefore the sterling accounts show sales up only 6 per cent in 1990 to £4.5bn.

The company's best-selling product, the anti-ulcer drug Tagamet, maintained sales above $1bn for the fifth consecutive year, despite the competitive pressure from Glaxo's Zantac. Sales of the antibiotic Augmentin grew 34 per cent to $793m and Mr Jan Leschly, chairman of SB Pharmaceuticals, forecast that it would break through the $1bn sales barrier in 1992.

Some analysts have expressed doubts about SB's long-term growth prospects because its research and development portfolio seems not to contain any more "blockbuster" drugs. But Mr Bauman said the company's future did not depend on blockbusters.

Lex, Page 12

Bob Bauman, chief executive: "This has been a terrific year"

Maxwell in talks on NY tabloid

By Raymond Snoddy in London

ROBERT MAXWELL, the UK publisher, is to meet union leaders of the New York Daily News this morning, amid negotiations to buy the the loss-making tabloid.

On Tuesday night, Mr Maxwell signed a letter of intent to buy the paper which has been hit by strikes since October. Its owners, the Tribune Company, have said the paper will close unless a deal is done by March 15.

Mr Maxwell declined to discuss the changes he will be seeking. However, Daily News executives have argued that a 50 per cent cut in the 3,500 staff and annual savings of $70m are needed to make the paper viable.

In the UK, Mr Maxwell continues to recognise print industry trade unions but has been tough in negotiations on jobs.

Any Maxwell purchase would be through one of his private companies rather than the publicly-quoted Maxwell Communication Corporation.

Meanwhile, the British publisher yesterday also indicated that he is considering selling Pergamon AGB, his market research and financial services company. The sale would be in line with his move to concentrate on newspapers and publishing.

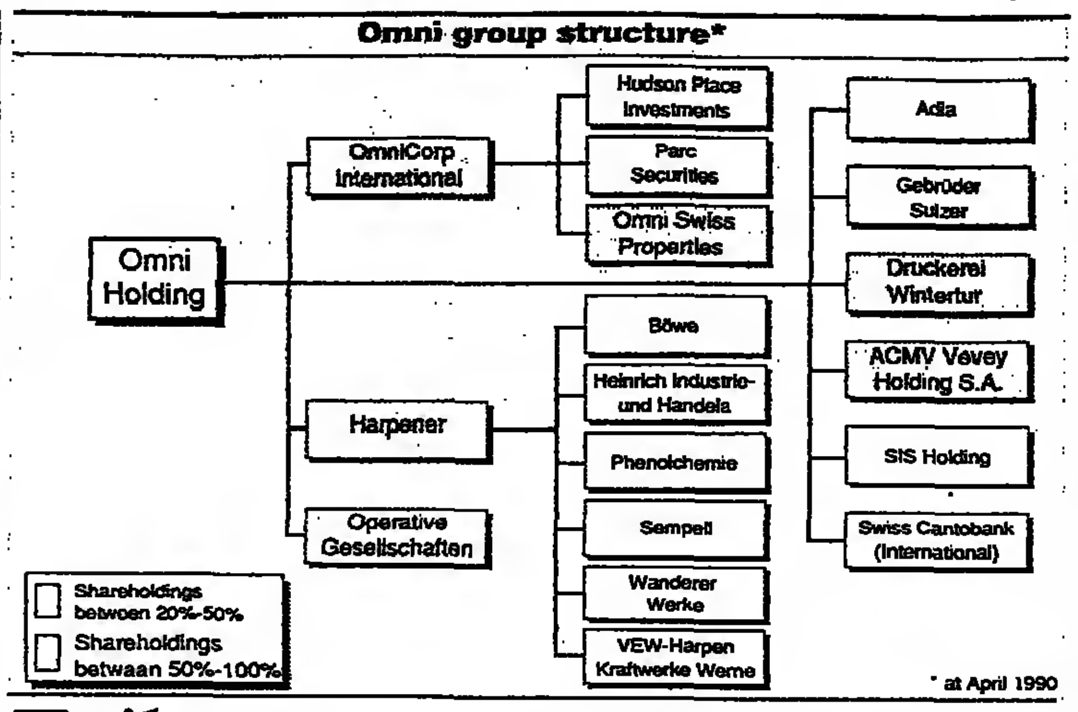
Several companies have already expressed interest in buying the privately-controlled company which Mr Maxwell purchased for £134m ($252m) in September 1988. Since then the company has changed shape considerably through disposals and acquisitions, but it is still the largest market research group in the UK. It has also expanded into continental Europe and Asia.

Pergamon AGB is best known for its measurement of television audiences.

One possible purchaser would be A C Nielsen, the large American market research group. AGB has twice tried to challenge Nielsen in its US heartland. Maxwell succeeded in taking over AGB following losses incurred on its first attempt to invade the US television audience measuring market.

Pergamon AGB has a turnover of about £170m a year and is a profitable company.

The decision to sell if the right offer comes along is part of a fundamental restructuring of Mr Maxwell's business interests. The programme is designed to reduce debt, pull out of areas such as television and concentrate on expanding in newspapers and publishing.



* at April 1990

Failure to communicate costs Werner Rey dear

William Dullforce on the collapse of the Omni empire

THE undoing of Mr Werner Rey represents the biggest individual debacle in Swiss financial history.

While similar processes are not uncommon in the UK or the US, no Swiss has built up a financial and industrial empire in such a short time and seen it collapse in a matter of months, as Mr Rey's Omni Holding has done.

Bankers and analysts voiced no surprise yesterday but views of Mr Rey were not uniformly hostile.

While the mainstream sentiment was satisfaction at the downfall of an imprudent outsider who had brought alien methods into Swiss business, a few gave Mr Rey credit for having helped to shake up and modernise Swiss financial markets over the last decade.

A self-made accountant turned financial consultant, Mr Rey was frowned upon in Zurich big bank and industrial circles for having introduced dubious Anglo-Saxon raider practices and having based his highly variegated empire on debt. "He saw Swiss financial markets through Anglo-Saxon eyes. His best friends are in London," one banker commented.

But an equally fundamental weakness has been his inability to communicate – to partners, analysts or journalists – and to win friends in Swiss business. It has been generally suggested in Zurich that one big Swiss bank consistently acted to thwart him.

His failure to communicate also applied at the company level. For months analysts and portfolio managers have been advising clients to sell Omni shares simply because they have been frustrated in trying to obtain an insight into Omni's financial standing, although, when the crunch came yesterday, several considered that Omni's creditors might well get their money back.

Since 1976 when he obtained his starting capital through a purchase and later sale of shares in Bally, the shoe company, Mr Rey had put together a network of majority and minority participations in property, service industrial and finance companies, mainly in Switzerland, Germany, the UK and the US.

From last spring onwards the word began to spread that the conglomerate had big debt problems. Omni was over-leveraged just as interest rates surged and share prices and asset values tumbled.

Omni's skimpy annual report for 1989 declared a consolidated balance sheet total of SFr4.2bn ($3.1bn) with equity, including minority interests, of SFr1.7bn. The parent company showed equity of SFr1bn. Borrowings totalled SFr3bn, of which SFr500m were attributed to minority interests.

Last autumn a morose Mr Rey admitted to reporters that he was looking for a buyer for his (then) 44-45 per cent stake in Adia, the big employment and inspection services group.

In January Omni announced that it had sold a 53 per cent interest in Adia (comprising Omni's own stake and some 8 per cent that Mr Rey had to buy under an earlier contract from Adia's former management team) to Comco, the Swiss subsidiary of Asko, the German retailer.

As part of the deal Omni was to take 49 per cent of Comco.

But the Swiss banks baulked at providing the credits needed to seal the deal. From then on Mr Rey's difficulties accumulated swiftly. Metro, another German retailer, said it would buy an interest in Omni but quickly withdrew. Omni said it was talking to Lonrho, Mr Tiny Rowland's company.

A lifebelt appeared when Asko announced that in partnership with Mr Klaus Jacobs, Swiss businessman, it would pay SFr770m for the 53 per cent of Adia. However, Adia had a court order issued against Omni, when it discovered that 100,876 of its shares which Omni should have had on deposit to cover a SFr192m convertible debt to Adia, formed part of the 700,000 Omni planned to sell to Asko and Mr Jacobs.

Worried by legal implications, the supervisory board of Harpener, Omni's German subsidiary, asked Omni to buy back a 29.5 per cent stake in the UK's Hudson Place Investments sold to it in December.

Lonrho's announcement on Monday that it was paying DM265m ($174m) for a 19.5 per cent interest in Harpener coincided with Mr Rey's resignation as Omni's chief executive but was too little too late.

Yesterday, Omni asked for a receiver to be appointed. Mr Rey resigned his chairmanship.

Christiania Bank plunges NKr1.85bn into the red

By Karen Fossli in Oslo

CHRISTIANIA BANK, Norway's second biggest bank, yesterday announced a net loss of NKr1.85bn ($308m) compared with a net profit of NKr550m a year earlier.

Mr Sverre Rostoft, Christiania's president, said the slide into the red stemmed from a strong increase in non-performing loans, particularly in the commercial sactor, and the impact of the Gulf war on securities trading. A continuing decline in property values remained an important factor in the increase of loan losses.

The president warned that unless the minority Labour government implements an economic policy to improva the liquidity of both commercial and private sector customers, high credit losses were likely to continue.

Credit loss provisions doubled to NKr2.68bn in 1990 from NKr1.31bn in 1989, or 2.7 per cent of total loans. Estimated loan losses amounted to 90 per cent of the provisions.

Corporate clients accounted for 84 per cent of loan losses, while the remaining 16 per cent of the losses were attribnted to the household sector.

"Poor earnings and low equity ratios, especially in the case of small and medium-sized companies, and a high rate of [domestic] unemployment have weakened the financial position of both corporate and household customers," the bank said.

Selmer Sande, the civil engineering company, and Brown Engineering, the producer of Moxy dump-trucks, together accounted for roughly NKr400m in credit losses.

Christiania said that the number of non-performing loans increased to NKr9.9bn at the end of December from NKr3.9bn at the end of 1989. In addition, during the sama period, accumulated loan loss provisions increased to NKr3.9bn, or 3.9 per cent of total loans at the end of 1990, from NKr1.8bn.

Sunnmoersbanken and Soerlandsbanken, two banks which merged with Christiania last year, were consolidated into accounts respectively in January 1990 and May 1990. They contributed to NKr1bn in loan loss provisions.

The bank also said that the proportion of loan losses attributed to the retail and commercial division was 68 per cent, while for the capital markets and international divisions the respective percentages are 22 per cent and 10 per cent.

Group operating costs increased NKr904m to NKr3.92bn of which NKr160m relates to losses on the sales and/or write-down of fixed assets while NKr147m relates to restructuring costs.

Group operating performance tumbled to a loss of NKr1.79bn in 1990 from a profit of NKr630m in 1989.

Trade Indemnity loss hits £28.8m

By Richard Lapper in London

THE BRITISH government was accused yesterday of "putting its head in the sand" about the extent of the recession in the UK.

Mr Richard Duggan, chief executive of Trade Indemnity, Britain's biggest trade credit insurer which reported heavy pre-tax losses for 1990, said the government "has totally underestimated the rate at which companies are going bust."

Trade Indemnity was notified of 4,581 insolvencies in 1990 compared with 2,590 in 1989, the highest percentage increase since current measurements began in 1977.

Moreover the number of business insolvencies is set to increase 25 per cent in 1991, said the company.

It believes that its figures correspond to roughly 30 per cent of all business failures.

The company paid out claims net of recoveries totalling £85.9m ($162m) and made provisions for underwriting losses arising in 1989 and 1990 of £40.8m. Pre-tax losses amounted to £28.8m, leading Trade Indemnity to hold its dividend at 1.9 pence.

However, the recession is also increasing interest in credit insurance and the group reports a sharp rise in the amount of new business it wrote in 1990. New business reached £27.1m compared with £15.2m in 1989.

The group is increasing premiums by 40 per cent on business renewed this year and aims to be more selective

Mr Duggan said that he thought Trade Indemnity's chances of winning control of the short-term commercial risks insurance business of the Export Credit Guarantee Department, which is to be privatised later this year, are good.

He dismissed opposition from brokers who claim that such an acquisition would strengthen Trade Indemnity's monopolistic hold of the credit insurance market.

Mr Duggan said that if Trade Indemnity were successful it would be better able to compete in the Continental trade credit market.

INTERNATIONAL COMPANIES AND FINANCE

BICC suffers 9% fall to £183m as recession bites

By Jane Fuller in London

BICC, the British cable and construction group, saw pre-tax profits decrease by 9 per cent from £201m ($382m) to £183m as recession in the UK, Australia and Canada took its toll.

The decline followed a small increase in turnover to £3.89bn from £3.79bn.

A £22.8m improvement at BICC Cables, one of the world's leading cable companies, failed to offset falls elsewhere.

Total operating profit fell from £230m to £212m.

Sir William Barlow, chairman, said conditions were unlikely to improve much in 1991 and one or two areas might decline further. However, he stressed the group's strong position in big power, transport, and communications projects.

He cited the potential benefits of increased spending in the UK electricity industry after privatisation.

The biggest setback came in Australasia, where operating profit fell from £53.1m to £32.5m on sales of £641m against £763m.

Sir William said Australia was experiencing its worst recession for 40 years.

Both the construction and electrical wholesaling businesses had lost money. Mr Robin Biggam, chief executive, said a programme to reduce facilities from 11 to three should be completed by the end of this year and a third of the workforce was being cut.

Balfour Beatty, the UK construction group, saw profit fall from £46.1m to £32.8m on sales up to £1.81bn from £1.61bn. The decline was in house building, commercial construction and property development. The power engineering side continued to perform well.

North America had seen a marked decline in the second half and contributed a total of £26.2m, against £37.9m a year ago. Mr Biggam said the worst of the problems had arisen in Canada. A cost-reduction programme had been implemented last autumn and further rationalisation was expected as North America was increasingly treated as one entity.

The results contained two bright spots. BICC Cables increased its operating profit to £110.2m from £87.4m, reflecting a strong performance throughout Europe. Sales rose from £866m to £954m.

BICC Technologies, previously a disappointing area, saw profit jump to £9.8m from £5.6m as a result of focusing on higher technology areas.

Interest charges were static at £29m, although BICC eliminated its net debt in the summer via a £177m issue of convertible capital bonds. Gearing bad stood at 35 per cent in December 1989. Mr Biggam said the bond issue was effectively equity, but interest was being charged.

The proceeds, which will fund the increase of BICC's stake in Grupo Español General Cable from next year, form part of the £270m which BICC had on deposit in the UK. The bulk of its year-end £260m borrowings were overseas.

Earnings per share fell by 13.2 per cent to 40.2p, reflecting increased equity.

The maintained final dividend of 13.25p makes a total of 19.25p against 19p last time.

Lex, Page 12

Vereins-und Westbank plans to halve payout

By Katharine Campbell in Frankfurt

VEREINS-und Westbank, the Hamburg-based bank that is 62 per cent owned by Bayerische Vereinsbank of Munich, plans to halve its dividend for 1990 to DM8 from DM12.

The bank, which will announce its full results next week, justified the unusual action – after a 23 per cent setback in partial operating profits – as getting all of its bad news over at once.

It blamed poor results on a combination of write-downs on its fixed income securities portfolio and the necessity to make provisions for export credits to the Soviet Union.

The bank is active in the securities markets, and a spokesman said yesterday that high domestic interest rates had a strong adverse impact.

In common with some other German banks, notably Deutsche Bank, it is for the first time providing for its Soviet loans. The official would not comment as to whether the bank had yet encountered any payment difficulties.

The dividend cut contrasts sharply with the bank's stable policy in the past. One analyst, questioning whether the results, whilst poor, really justified such action, suggested that the move might be connected with a wish on the part of Bayerische Vereinsbank to increase its stake to 75 per cent. Vereins-und Westbank and the big Bavarian commercial and mortgage bank have consistently denied that a full merger between the two institutions is planned.

Cadbury posts profits 14% higher

By Clay Harris, Consumer Industries Editor, in London

CADBURY SCHWEPPES, the confectionery and soft drinks group, lifted UK trading profits by nearly 50 per cent last year, enabling its pre-tax total to emerge 14 per cent higher at £279.6m ($531.8m) in spite of sharply higher interest payments.

Continental Europe and the Americas, by contrast, increased profits only because of acquisitions.

Translated profits from other areas were level or fell because of currency movements.

The global increase in pre-tax profits from £244.3m in 1989 was achieved on turnover 12 per cent higher at £3.15bn from £2.87bn. The 1989 figures were restated to reflect Cadbury's move to average exchange rates.

Sir Graham Day, chairman, attempted yesterday to scotch rumours which surfaced earlier this week, saying: "Cadbury Schweppes has no present plans for a rights issue."

Trading profits rose by 23 per cent to £333.9m from £272.2m. Confectionery contributed £163m against £127.4m and beverages £170.9m against £145.2m. The UK advance to £148.5m was fuelled by both divisions. Each increased its market-leading share: Within confectionery's 55 per cent increase to £83.3m, profits from chocolate rose by 40 per cent.

The sugar confectioners bought in 1989 and combined last spring into Trebor Bassett made their first full-year contribution.

Coca-Cola and Schweppes Beverages, the UK joint venture with the US soft drinks group which is being investigated by the Monopolies and Mergers Commission, increased trading profit by 35 per cent on volume ahead only by 5 per cent.

Ahead of the monopolies report, which is due to be delivered next month to Mr Peter Lilley, trade and industry secretary, the company said only that CCSB's market share increased to 36 per cent.

Interest payments rose by 84 per cent to £57.2m from £31.1m.

Earnings per share advanced to 25.39p from 24.22p. A final of 8.5p against 7.9p will lift the total to 11.5p from 10.7p.

Cadbury shares closed 15p higher at 378p.

Lex, Page 12; Details, Page 20

BNL earnings move up to L72bn

BANCA Nazionale del Lavoro yesterday announced that net earnings at its parent bank rose to L72bn ($63m) in 1990 from a loss of L498bn in the previous 12 months, AP-DJ reports from Milan.

Mr Giampiero Cantoni, the chairman, said BNL's board of directors would propose a dividend for preferred shares that will take into account not only the bank's strong 1990 performance, but also the dividend payment that was passed in 1989.

He said the dividend would "reward all our shareholders who had faith in our restructuring."

BNL has restructured its operations and its balance sheet following the 1989 emergence of an international financial scandal involving the issue of irregular export credits to Iraq by its Atlanta, Georgia, branch.

BNL set aside more than L637bn in bad loan provisions last year, increasing its provisions for high-risk countries, including Iraq, by more than 50 per cent from the year before.

BNL said it also set aside L140bn in depreciation funds, L104bn for losses on portfolio investments and other allocations for L28bn.

Profits rise 21% at Chartered WestLB

By David Lascelles, Banking Editor

CHARTERED WestLB, the Anglo-German merchant bank, raised profits by 21 per cent last year, despite the dullness of the market in the UK.

Profits at the pre-tax level were £15.97m ($30.4m), up from £13.21m. After tax, the profit was £10.23m. This represented a return on capital employed of 26 per cent.

The bank was formed just over a year ago out of a combination of the merchant banking activities of Standard Chartered and Westdeutsche Landesbank.

It is jointly owned by the two commercial banks.

Mr Patrick Macdougall, the chairman and chief executive, said the result completed a successful year of transition during which the bank had opened a branch in Düsseldorf and two offices in Latin America.

Stora reveals earnings drop for 1990

By Robert Taylor in Stockholm

STORA, Europe's largest pulp and paper group, announced yesterday a fall in its profits (after financial items) in 1990 to between SKr2.7bn ($474m) and SKr2.8bn compared with SKr3.9bn in the previous year. But, at the same time, its sales rose to SKr62bn last year from SKr42bn in 1989.

The company released no further information on its 1990 results. Further details will come on March 25 after Stora's board meeting.

Stora said it had revealed a profit estimate and sales figures because the German company Feldmühle Nobel, a significant part of the group, had already made its results for 1990 public last week, revealing a 3 per cent profit decline to DM530m ($345.7m).

Belgian bank moves ahead to BFr8.04bn

By Andrew Hill in Brussels

CONSOLIDATED net profits at Générale de Banque, Belgium's largest commercial bank, beat 1988 profits by nearly 8 per cent last year, despite the effects of financial deregulation and a depressed stock market.

Générale de Banque made BFr8.04bn ($254m) after taxes and minority interests, compared with BFr7.45bn in 1988 and BFr2.57bn in 1989, when the group took extra provisions of BFr8bn against loans to developing countries. Depreciation, write-offs and provisions dropped from BFr17.3bn to BFr10.3bn last year.

The bank, which bought a 45 per cent stake in the French Banque Parisienne de Crédit late last year, said it was still committed to a strategy of becoming a "super-regional" bank, and was interested in expansion within a 400km radius of Brussels.

Mr Paul Emmanuel Janssen, chairman, said the company had suffered in 1990 from a reduction in commission earned on underwriting of government issues, and a dearth of business from the stagnating stock market.

Générale de Banque said the liberalisation of the Belgian financial markets – including the government's cut in withholding tax on interest income from 25 per cent to 10 per cent – "had a greater effect on the liability side of the balance sheet than on the assets".

The bank hopes to offset this partly by gradually imposing a 15 per cent charge on transfers and cheque transactions from this summer.

Euroc reports 26% slip to SKr805m

By Robert Taylor in Stockholm

EUROC, the Swedish building materials group, has reported a 26 per cent fall in profits for 1990 before financial items. They fell to SKr805m ($141.4m) from SKr1.09bn.

The group forecasts that results for 1991 will continue the downward trend.

Profits per share fell to SKr11.50 last year compared with SKr15.95 in 1989, but Euroc said it proposed to increase its dividend to SKr3.60 from SKr3.25.

Group sales fell to SKr11.54bn last year from SKr11.28bn in 1989.

Despite its decline in profitability, the group reported a strong growth in its core building materials sales which rose to SKr4.16bn from SKr2.83bn last year.

By contrast, there was only a small increase in Euroc's cement sales to SKr5.40bn from SKr5.27bn.

The group also said it had achieved its strategic goals for its European core business in 1990, notably through the acquisition of 12.5 per cent of the shares in Valenciana de Cementos, Portland, Spain's largest cement company.

BPI profits rise 143% to Esc8.5bn

By Patrick Blum in Oporto

THE BANCO Portugues de Investimento (BPI), Portugal's leading private investment bank, yesterday reported sharply increased profits and turnover for 1990.

Net profits for the year rose by 143 per cent to Esc8.5bn ($65m) from Esc3.5bn in 1989 last year. Profits were boosted by extraordinary income of Esc3.8bn from the sale of an 11 per cent stake in Banco de Comercio e Industria (BCI), another private investment bank in which Banco de Santander of Spain and the Royal Bank of Scotland have a controlling interest through joint cross-boldings. BPI still retains a bolding of 2.5 per cent in BCI.

Cash flow before taxes increased by more than 170 per cent from Esc4.6bn in 1989 to Esc12.6bn last year, while total assets grew by more than 40 per cent to Esc170bn. The bank is raising its dividend from 12 per cent to 14 per cent on share capital, which was raised from Esc7.5bn to Esc18bn last April.

Mr Artur Santos Silva, BPI president, described the results as "very satisfactory," and said the bank would pursue its main strategic objectives.

Alfa-Laval up 18%

By John Burton in Stockholm

ALFA-LAVAL, the Swedish industrial, dairy and food processing equipment company that accepted a takeover bid by Tetra Pak in January, yesterday reported profits after financial items up 18 per cent to SKr1.6bn ($281m) in 1990.

A dividend increase to SKr6 per share against SKr5.25 in 1989 was proposed, with earnings per share at SKr19. The company forecast that sales growth in 1991 will be slower than last year's 17 per cent increase to SKr17.6bn, while profits will remain unchanged.

The 1990 figures will be the last before Alfa-Laval is removed from the stock exchanges in Stockholm, London, Geneva and Amsterdam and merged with the privately-held Tetra Pak, the Swiss liquid packaging concern.

Alfa-Laval's three main business groups reported higher sales and profits. The industrial equipment group, the company's largest sector, increased sales by 13 per cent to SKr3.1bn, while operating profits jumped by 16 per cent to SKr1.1bn.

The food processing division had a 50 per cent increase in operating profits to SKr357m, while sales grew by 26 per cent to SKr5.3bn. The agricultural group, which supplies milking equipment and other machinery to farms, saw profits rise by 17 per cent to SKr350m as sales increased 16 per cent to SKr3.5bn.

Return on adjusted equity after taxes improved to 22.5 per cent, the highest figure ever attained by Alfa-Laval, against 21.3 per cent in 1989. The return on capital employed was almost unchanged at 20.2 per cent.

Liquidity stood at SKr5.3bn up from SKr4.2bn in 1989.

Gota flat at SKr1.17bn

By John Burton in Stockholm

GOTA, the parent company for Sweden's fourth largest commercial bank, Gota Bank, reported an unchanged operating profit of SKr1.17bn ($205m) for 1990 with provisions for credit losses tripling to SKr932m from SKr302m. A dividend increase to SKr3.50 per share from SKr3 was proposed.

Operating profit rose by 3 per cent to SKr1.37bn. Costs grew by only 2 per cent due to rationalisation measures following the merger of Gotabanken, Wermlandsbanken and Skaraborgsbanken in late 1988 to create Gota Bank. Group income grew by 18 per cent to SKr3.79bn, while that for the bank increased by 23 per cent to SKr3.57bn.

But the group's return on equity declined from 18.9 per cent to 13.9 per cent due to an increase in capital assets adjusted after debts.

Provisions for credit losses amounted to 0.98 per cent of total loans. The capital reserve margin reached 9.2 per cent, exceeding the capital coverage requirement of 8 per cent mandated for the end of 1992.

Tobacco companies rise as exports offset curbs

By Joyce Quek in Singapore

TWO OF Singapore's leading tobacco companies have reported better results, after advances in exports helped offset newly-introduced restrictions on smoking in the domestic market. However, both companies last year issued warnings over their prospects.

BAT Singapore's turnover advanced to S$254.5m (US$146.7m) for the year to December 31 1990 from S$199.9m for the previous year. Operating profits rose to S$41m from S$32m, helped by improvements in domestic margins. However, the domestic market contracted and there was a continuing shift by consumers from English Virginia brands to US blended products.

Earnings per share rose to 33.8 cents from 24.9 cents, while net tangible assets per share fell to 79.3 cents from S$1.96.

The directors forecast that, with the government's tough anti-smoking stance, the domestic market would continue its slow decline; the recent punitive increase in excise duty would hit sales volume. Export demand would see some growth.

Rothmans Industries (RIL), which is 50 per cent-owned by Rothmans International of the UK, blamed the shrinking domestic market for keeping group turnover at S$105.8 (US$62.1m) for the half-year to 31 December 1990 against S$86.9m a year earlier, while pre-tax profits rose to S$32.5m from S$26.4m. Earnings per share rose to 19.4 cents from 15.6 cents.

RIL said that trading conditions in its export markets were likely to become more difficult.

CRA posts 27% profits fall with cut in dividend

By Kevin Brown in Melbourne

CRA, the Australian mining group 49 per cent owned by Rio Tinto Zinc of the UK, yesterday announced a 27 per cent fall in net profits to A$472.5m (US$396.4m) for the year to December.

The result was better than forecast by most analysts, but the group said it had been hit by lower metals prices, recession in the main English-speaking countries, and industrial problems at iron ore, coal and copper mines.

The directors cut the total dividend to 44 cents from 58 cents last year, and warned that the current year would be affected by falling demand for minerals and slower world economic growth.

"The outlook for profit is always very difficult to read at this stage of the year because what is driving our result is metals prices and exchange rates, but I think there is a reasonable chance of coming out around where we have come out in 1990," said Mr John Ralph, chief executive.

Turnover was down 7.6 per cent to A$4.6bn, largely because of lower sales by Comalco, the Australian aluminium producer in which CRA has a 67 per cent stake, and the closure of the Bougainville Copper Mine in Papua New Guinea, which is 53 per cent owned by CRA.

The group said net profits were hit by a loss of A$20m on its share of the earnings of associate companies, compared with a profit of A$86.7m in the previous year.

The decline reflected lower earnings by Comalco and Pasminco, the lead and zinc producer in which CRA has a 40 per cent holding. An Mau Steel, a 48 per cent associate, also suffered lower earnings because of increased steel production in Taiwan and South Korea.

Net profits fell to A$400.5m after an extraordinary loss of A$72m relating to the deconsolidation of Bougainville Copper from its accounts.

The mine has been closed since early last year because of secessionist activity on Bougainville Island and CRA staff have been unable to visit the area to assess damage caused by guerrilla action and vandalism.

Mr Ralph said the board had decided to deconsolidate Bougainville Copper because of the uncertainty surrounding the future of the mine. The group's investment in the company will be carried at the book value of the shareholding, which is A$267m.

● Net profits of Woodside Petroleum, the publicly-listed Australian participant in the North-West Shelf gas project, rose 174 per cent to A$49.7m (US$38.5m) in 1990 from A$18.1m a year earlier, AP-DJ reports from Perth.

Earnings per share improved to 7.5 cents from 2.7 cents and the company plans to pay a dividend of 5 cents a share, its first payout to shareholders. Operating revenue climbed 31 per cent to A$394.6m.

Four into one poses a challenge

Philip Gawith on South Africa's largest financial institution

ANYONE seeking to understand why United Building Society of South Africa triumphed in the country's bitterly-contested battle for control of the Allied building society group need look no further than the office of Mr Piet Badenhorst, redoubtable chief executive of United.

Covering one wall is a picture of an astronaut on the moon, with the slogan "Make it Happen". Corny? Ask his opponent, First National Bank (FNB). It will testify that Mr Badenhorst is a formidable opponent.

He himself comments: "If it's my intention, then I'll move heaven and earth to make it happen." Few would dispute that. He initiated the merger talks and it was his resolve which saw the matter through to its conclusion.

The result, subject to various formalities, is that Mr Badenhorst is now chief executive of the merged group, Amalgamated Banks of South Africa (Absa), made up of United, Volkskas and Sage Financial Services (SFS). It is the country's largest financial institution, controlling assets of about R50bn (US$15.7bn).

With hindsight, FNB always faced a formidable task. United had been having merger talks with Volkskas for three years, and the Absa talks took a gruelling four months. A man of Mr Badenhorst's resolve was not going to let things slip.

In the end, United won the battle on the floor of the Johannesburg Stock Exchange. Including the stake of one of its partners, it held 49 per cent of Allied, nearly double FNB's holding of just over 25 per cent. It was a case, says Mr Badenhorst, of possession being nine-tenths of the law.

He acknowledges that United has been forced to pay a high price for Allied – about R100m more than the original R772m – but says phlegmatically: "At the end of the day you can't play poker without the chips."

If the chips were expensive, it was because the stakes were high. Mr Badenhorst says the merger was of long-term strategic importance to the group because it conferred critical mass which was not achievable any other way. It was also important that Allied did not fall into the hands of his competitors.

"If Standard got hold of Allied they would have had R60bn assets. How do you ever catch up with that? Similarly with FNB, a merger with Allied would have made them the largest player."

Mr Badenhorst is quick to acknowledge that in an era of stringent capital requirements, return on assets and equity are more significant indicators than asset growth and market share. Now top of the banking assets league, Mr Badenhorst says he hopes, "not later than two years", to be leading the profits race, too.

There is no resting on laurels. "We know that we have a long way to go," says Mr Badenhorst. There is not a shred of complacency nor self-satisfaction." Indeed, as with the Gulf conflict – the two ran for almost exactly the same duration – the challenges of peace are arguably more formidable than those of war. How does one successfully merge four organisations?

In typically "can-do" style, the new Absa chief is optimistic. He scoffs at rumours that Allied staff are unhappy about the merger, believing confidently that the different staffs will come on side when they realise United are "reasonable, fair and honourable".

He adds: "People like to work in a team that is winning."

Mr Badenhorst is adamant that the formation of Absa will benefit consumers rather than stifle competition. "It will promote competition because if you have stronger competitors you have stronger competition." He believes that Absa will prevent much stiffer opposition than United was previously able to offer. "We had the strong disadvantage of not having the same asset base and branch representation. Now the door is open to that."

He believes that rationalisation activity in the sector has some way to run yet. The next obvious target is Natal Building Society, and there are some who believe that Bankorp's troubles may be such that they will eventually be absorbed by one of the other big banks.

And as the dust settles on one of the country's most explosive takeover battles ever, the fledgling Securities Regulation Panel is sure to be engaging in some necessary introspection.

One conundrum will be weighing heavily: how can a code claim to take account of both the spirit and the letter of the law when the final avenue of appeal is to courts where the letter is sure to prevail? The concept is admirable, but it tripped up the panel in this case and could do so again.

Shake-up prompts ICI NZ turnaround

By Terry Hall in Wellington

ICI New Zealand yesterday announced a NZ$8.4m turnround to net profits of NZ$3.91m (US$2.34m) in the year to September 30 1990, from losses of NZ$4.51m a year earlier, following a drastic shake-up of business activities.

Last year it became a subsidiary of ICI Australia after 34 years as a New Zealand company when the Australian company bid for the 24 per cent it did not own. In turn, ICI Australia is 62 per cent owned by ICI, the UK group.

The annual report shows that ICI NZ made a trading profit of NZ$5.73m against a loss of NZ$2.79m. Tax was NZ$2.13m compared with a credit of NZ$2.63m.

Mr Graeme Boyd, general manager, said the profit turnaround was achieved in spite of an absence of growth in the areas in which ICI operates. Sales of NZ$287m were NZ$360,000 down on 1989.

During the past year, the company has undergone a series of large changes, quitting unprofitable areas or those of marginal growth, and relocating several big businesses in Australia. It is now concentrating its manufacturing activities on ICI's traditional operations, such as paint, where it remains the largest company in New Zealand with 400 staff.

In 1971, ICI was rated as 10th biggest New Zealand company, with 2,100 staff. It now ranks 65th, with 800 employees. In 1988, before the Australian takeover, it employed 1,300 staff.

Substantial redundancy costs since the switch to Australian control and changes of government policy to encourage imports, have cost the company a total of NZ$5m to date, said Mr Boyd. Its former head office staff of 200 has now been made redundant, and the company now relies on Australian research and marketing back-up for many products.

Mr Boyd says the new company is leaner and more cost efficient and responsive to the needs of its customers. The changes were needed as the company had been faced with reducing manufacturing demand, falling market shares in a deregulated, over supplied market, high internal costs and staff numbers, inefficient manufacturing operations and business divorced from its main markets.

THE GOVERNMENT OF MONTSERRAT

Has revoked the Bank licences of the companies named below, with effect from the date shown;

Akronx International Bank Limited	09/14/89
Allied Development Bank Limited	04/04/89
Allied International Development Bank Limited	07/30/87
Allied Overseas Bank Limited	02/20/90
Allied Reserve Bank Limited	02/20/90
Alpha Omega Bank Limited	02/20/90
Ameribanc International Limited	07/20/89
American Bank of Commerce Limited	01/15/85
American Fidelity Bank Limited	07/30/87
American International Bank Limited	07/24/81
American Overseas Bank Limited	05/31/83
American Reserve Bank Limited	09/14/89
American Security Bank Limited	04/04/89
Americas Merchant Bank Limited	02/20/90
Asian Caribbean Bank Limited	07/30/87
Assured Risk Bank Limited	08/15/89
Atlantic International Bank Limited	07/30/87
Atlantic International Bank of Commerce Limited	07/24/81
Atlantic Security Bank Limited	10/17/80
Bahrain International Bank Limited	01/15/85
Bank of Benjamin International Limited	02/20/90
Bank of Catholic Family Finance Limited	01/15/85
Bank of Commerce Limited	09/14/89
Bank of Europe & America Limited	02/20/90
Bank of Industry and Commerce Limited	03/26/85
Bank of International Commerce Limited	07/30/87
Bank of Marshall Pacific Limited	07/20/89
Bank of The Pacific Limited	08/15/89
Bank of Trade & Commerce Limited	02/20/90
Barrington Bank Limited	02/20/90
Bentley International Bank Limited	08/15/89
Blue Sky International Bank Limited	03/03/89
Bostonian Overseas Bank Limited	02/20/90
Brentwood International Bank Limited	02/20/90
Britania International Bank Limited	03/03/89
British Bank of Asie Limited	11/14/89
British Bank of Commerce Limited	04/04/89
British Bank of Hong Kong Limited	07/11/89
British Bank of The Americas Limited	01/22/81
British Overseas Bank Limited	11/09/82
California International Bank Limited	08/20/89
California Overseas Bank Limited	08/31/83
Canada Security Bank Limited	02/20/90
Canadian American Bank Overseas Limited	20/17/87
Canadian Credit Bank Limited	07/20/89
Canadian Overseas Bank Limited	04/04/89
Canadian Trade Bank Limited	02/20/90
Capital Reserve Bank Limited	09/14/89
Caribbean and Overseas Bank Limited	07/30/87
Caribbean International Bank Limited	01/15/85
Caribbean Investors Bank Limited	11/14/89
Caribbean Overseas Bank Limited	05/31/83
Carlson Development Bank Limited	04/04/89
Cayman Banc Limited	11/14/89
Central Bank of The Americas Limited	04/04/89
Central National Bank Limited	07/20/89
Central Pacific Bank Limited	07/11/89
Centurion International Bank Limited	02/20/90
Century Bank Limited	02/20/90
Century Overseas Bank Limited	07/30/87
Century Reserve Bank Limited	02/20/90
Century Security Bank Limited	02/20/90
Century Trade Bank Limited	02/20/90
Chartered Bank of Asia Limited	08/15/89
Chase Overseas Bank Limited	07/24/81
City International Bank Limited	05/31/83
City Overseas Bank Limited	07/24/81
Colonial Bank Limited	07/20/89
Colonial International Bank Limited	05/31/83
Colonial Overseas Bank Limited	05/31/83
Commerce Bank Limited	07/30/87
Commerce Overseas Bank Limited	07/20/89
Commercial Deposit Bank Limited	01/15/85
Commercial National Bank Limited	02/20/90
Commercial Trade Bank Limited	02/13/89
Commonwealth Bank & Trust International Limited	04/04/89
Commonwealth International Bank Limited	05/31/83
Commonwealth Overseas Bank Limited	04/04/89
Continental Credit Bank Limited	04/04/89
Continental Overseas Bank Limited	07/24/81
Continental Reserve Bank Limited	02/20/90
Continental Trade Bank Limited	02/20/90
Credibanca Internat'l Commercial Bank & Trust Ltd	08/31/90
Crown International Bank Limited	05/30/89
Crown International Bank Limited	04/04/89
Decade Overseas Bank Limited (NC)	05/31/83
Deutsche Bank (Suisse) Limited	01/15/85
Devol's Bank Limited	07/24/81
Diversified Securities Bank Limited	09/14/89
Dominion Development Bank Limited	07/20/89
Dominion Overseas Bank Limited	05/31/83
East/West International Bank Limited	11/14/89
Empire International Bank Limited	07/20/89
Equity Continental Bank Limited	04/04/89
Equity International Bank Ltd	07/20/89
Equity Merchant Bank Limited	07/10/90
Eurasian Merchant Bank Limited	07/20/89
Euro-Asian Overseas Bank Limited	07/20/89
Euro-Pacific International Bank Limited	08/15/89
European Bank Limited	01/15/85
European Community Bank Limited	04/04/89
European Industrial Development Bank Limited	07/20/89
European International Bank Limited	01/15/85
European Overseas Bank Limited	07/30/87
Exchange International Bank Limited	02/20/90
Exterior Bank & Trust Limited	08/31/90
Fedility Reserve Bank Limited	02/20/90

Fidelity Commerce Bank Limited	02/20/90
Fidelity Development Bank Limited	01/15/85
Fidelity International Bank Ltd	07/20/89
Fidelity Overseas Bank Ltd	02/20/90
Fidelity Trade Bank Limited	09/14/89
Financial Guarranty Bank & Trust Limited	02/09/90
First American Bank	02/09/90
First American Bank	11/14/89
First Bank of California Limited	02/20/90
First Bank of The Americas Limited	07/20/89
First Canadian Bank Limited	07/20/89
First City Bank Limited	02/20/90
First Continental Bank Limited	07/20/89
First Fidelity Bank Limited	08/15/89
First Fiduciary International Bank Limited	03/03/89
First Integrity Bank Limited	04/04/89
First International Bank & Trust Limited	05/31/83
First International Bank of Plymouth Limited	02/20/90
First International Development Bank Limited	02/20/90
First Interstate Bank Limited	09/14/89
First Investment Bank Limited	04/04/89
First London Bank Limited	07/20/89
First Manhattan Bank Limited	04/04/89
First Merchant Bank Limited	04/04/80
First Morgan Bank Limited	09/14/89
First National Bank Limited	07/20/89
First Pacific Trust & Bank Limited	02/20/90
First Regency Bank Limited	09/14/89
First Reserve Bank Limited	02/20/90
First Security Bank Limited	11/14/89
First Swiss Bank Limited	04/04/89
First Trade Bank Limited	04/04/89
First Union Bank Limited	07/20/89
First World Bank Limited	01/15/85
First World Banking Corporation Limited	02/20/90
First Zurich Bank Limited	11/14/89
Fountainhead International Merchant Bank Limited	09/14/89
Franklin International Bank Limited	08/15/89
Fuji International Bank Limited	05/31/83
Gibraltar International Bank Limited	08/31/90
Gibraltar Merchants Bank Limited	07/20/89
Gibraltar Overseas Bank Limited	01/15/85
Global Chartered Bank Limited	11/14/89
Grand Duchy of Luxembourg Bank & Trust Co Ltd	02/20/90
Grand Ionic Bank Limited	09/14/89
Guardian Capital Bank Limited	09/14/89
Guardian Reserve Bank Limited	07/20/89
Gull International Bank Limited	02/20/90
Hamilton Bank Limited	07/30/87
Handelsbank von Montserrat Limited	01/15/85
Hanover Investment Bank Limited	02/20/90
Hanover Merchants Bank Limited	04/04/89
Harvard Investment Bank Limited	11/14/89
Harvard Merchants Bank Limited	05/31/83
Harvard Overseas Bank Limited	08/15/89
Heritage Federal Bank & Trust Limited	07/30/87
Heritage International Bank Limited	09/14/89
Heritage Reserve Bank Limited	04/04/89
Hong Kong China Bank Limited	04/04/89
Imperia International Bank Limited	02/20/90
Industrial Commerce Bank of Plymouth Limited	04/04/89
Industrial Trade Bank Limited	02/20/90
Industry Reserve Bank Limited	10/17/80
Inter-American Bank of Commerce Limited	01/15/85
Intercontinental Bank Limited	05/31/83
Intercontinental Bank of Commerce Limited	08/15/89
Intercontinental First Bank Limited	11/14/89
Intercontinental Investment Bank Limited	02/20/90
Intercontinental Overseas Bank Limited	07/20/89
Intercontinental Security Bank Limited	01/15/85
International Bank Limited	02/17/87
International Bank of London Limited	04/04/89
International Bank of Montserrat Limited	03/03/89
International Exchange Bank Limited	08/15/89
International Investment & Development Bank Ltd	05/31/83
International Overseas Bank Limited	02/20/90
International Private Merchant Bank & Trust Co Ltd	03/03/89
International Trade Bank Limited	04/04/89
International United Commercial Bank Limited	04/04/89
Investors Fidelity Bank Limited	11/14/89
Investors Overseas Bank Limited	05/31/83
Investors Trust Bank Limited	07/30/87
Investors World Bank Limited	12/11/90
Isthmus International Bank Limited	03/28/85
J David Banking Company Limited	04/04/89
Joseph First International Bank Limited	05/31/83
Kendie International Bank Limited	06/24/82
Kimberly International Bank Limited	04/04/89
La Banque Caraibe Internationale	04/04/89
La Salle Overseas Bank Limited	07/30/87
Leeward Islands Bank & Trust Co Limited	11/14/89
London Overseas Bank Limited	02/20/90
London Rerseve Bank Limited	03/03//89
Lux International Bank Limited	03/03/89
Magna International Bank Limited	04/04/89
Malta International Bank Limited	09/14/89
Manhettan Development Bank Limited	02/20/90
Manhattan Fidelity Bank Limited	07/30/87
Manhattan International Bank Limited	04/04/89
Manhattan Overseas Bank Limited	07/11/89
Manufacturers International Bank Limited	07/24/81
Manufacturers Overseas Bank Limited	05/30/89
Manners International Bank Limited	02/20/90
Maritime Bank Limited	07/10/90
Maritime Overseas Bank Limited	11/14/89
Mercentile Overseas Bank Limited	04/04/89
Merchant Guarantee Bank Limited	

Merchant's International Bank Limited	07/30/87
Merchants Bank Limited	08/15/89
Merchants Commerce Bank Limited	02/20/90
Metropolitan International Bank Limited	11/14/89
Metropolitan Overseas Bank Limited	09/23/82
Metropolitan Security Bank Limited	07/11/89
Midland International Bank Limited	07/30/87
Midland Merchant Bank Limited	02/20/90
Morgan Overseas Bank Limited	07/30/87
New Life International Bank Limited	03/03/89
North American Bank of Commerce Limited	01/15/85
North American International Bank Limited	07/30/87
North American Overseas Bank Limited	05/31/83
Northern Bank Limited	11/14/89
Northern International Bank Limited	07/20/89
Orbisbank Limited	04/04/89
Overseas Bank of Finance Limited	07/20/89
Pacific Exchange International Bank Limited	02/20/90
Pacific Fidelity Bank Limited	02/20/90
Pacific Overseas Bank Limited	02/20/90
Pan American International Bank Limited	05/31/83
Plymouth International Bank Limited	07/20/89
Premier Global Bank Limited	03/03/89
Prime Credit Bank Limited	07/20/89
Prudential Bank & Trust Limited	08/31/90
Regency Reserve Bank Limited	02/20/90
Regency Security Bank Limited	11/14/89
Regent International Bank Limited	04/04/89
Republic Commerce Bank Limited	02/20/90
Republic International Bank Limited	07/24/81
Republic Secrulty Bank Limited	02/20/90
Salem Bank Limited	01/15/85
Security Bank of Commerce Limited	01/15/85
Security International Bank Limited	01/15/85
Security Overseas Bank Limited	01/15/85
Security Trust Bank Limited	11/14/89
Sigma International Bank Limited	08/15/89
Sigmar Commerce Bank Limited	02/20/90
South Seas International Bank Limited	03/03/89
Southern Bank of The Americas Limited	08/10/89
Standard Bank Limited	03/03/89
Stark International Bank Limited	08/15/89
Sterling International Bank Limited	05/31/83
Sterling Investment Bank Limited	04/04/89
Sterling Overseas Bank Limited	09/14/89
Surety Bank of Commerce Limited	07/30/87
Surety International Bank Limited	08/15/89
Suri Bank International Limited	01/15/85
Swiss Commercial Bank Limited	06/01/82
Swiss European Bank Limited	07/11/89
Swiss International Bank Limited	07/20/89
Swiss Investment Bank Limited	01/15/85
Swiss Investors International Bank Limited	07/30/87
Swiss Overseas Bank Limited	03/03/89
Swiss Security Bank Limited	09/08/82
The Regal Bank of Montserrat Limited	02/20/90
Tiffany International Bank Limited	05/30/89
Trade International Bank (Montserrat) Limited	08/31/90
Traders International Bank Limited	01/15/85
Trans Caribbean Bank Limited	09/14/89
Trans National Bank Limited	02/20/90
Trident International Bank (Montserrat) Ltd	10/15/86
U S Investment Bank Limited	07/30/87
Union Bank of Commerce Limited	02/20/90
Union Chartered Bank Limited	04/04/89
Union Commercial Bank Limited	05/31/83
Union de Bancos Interamericanos Ltd	07/20/89
Union International Bank Limited	04/17/90
Union Reserve Bank Limited	07/24/81
Union Security Bank Limited	09/14/89
Union Trade Bank Limited	04/04/89
United Bank Limited	02/20/90
United Bank of Commerce Limited	02/20/90
United Capital Bank Limited	09/14/89
United International Bank Limited	09/14/89
United Investors Bank Limited	07/24/81
United Overseas Bank Limited	10/28/85
United Security Bank Limited	05/31/83
United Security Bank Limited	04/04/89
Universal International Trade Bank Limited	05/31/83
Wellington International Bank & Trust Company Ltd	03/03/89
West Indies International Bank Limited	02/20/90
Western International Bank Limited	03/03/89
Western Overseas Bank Limited	11/14/89
Western Pacific Overseas Bank Limited	07/24/81
Western Reserve Bank Limited	05/29/89
Wharton International Bank Limited	02/20/90
World Bank Limited	07/20/89
World Chinese Trust Bank Limited	04/04/89
World Commerce Bank Limited	07/30/87
World International Bank Limited	04/04/89
World Security Bank Limted	01/15/85
Yorkshire International Bank Limited	04/04/89
Zenith International Bank Limited	03/03/89
Zion Bank Limited	03/03/89
Zurich Commerce Bank Limited	02/20/90
Zurich Overseas Bank Limited	07/20/89

C T John
Financial Secretary
Government of Montserrat
Plymouth, Montserrat
West Indies
7th March 1991

Static profit at K-Mart with reshape stripped out

K-MART, one the three largest retailers in the US, has reported flat profits for 1990, once the effect of restructuring charges were stripped out from comparisons with the previous year, writes Nikki Tait in New York.

Superficially, K-Mart's after-tax earnings appeared to improve sharply, from $322.7m in the year to end-January 1990 to $756.2m in the most recent 12-month period.

However, the 1989-90 figures were held back by a $640m provision, made to cover an accelerated store opening and refurbishment programme. Once this charge was excluded, profits for 1989-90 stood at $745.2m – only marginally below the total for last year.

Sales were also largely static between the two years. For 1990-91 they stood at $9.751bn. This compared to sales of $9.747bn in the year earlier period.

● SQUARE D, the Palatine, Illinois, electrical equipment maker which is fighting off an aggressive takeover bid by France's Schneider Groupe, has advised its shareholders not to tender their shares to the French company, pending a "review and recommendation" by Square D's board, *writes Barbara Durr in Chicago.*

Square D said its board would meet on or before March 15 to consider a plan of action in light of Schneider's cash offer of $78 per share. Last week, Square D's board flatly rejected a Schneider merger offer of $1.9bn at the same price, saying the company wanted to remain independent.

Gold miners hit by lacklustre price

Bernard Simon on the troubles besetting the Canadian industry

Mining analysts at Yorkton Securities in London delivered a stinging indictment of the North American gold mining industry last month.

While they predicted that the bullion price is poised for a stout recovery as real US interest rates decline, they suggested that shares of only *seven of the 21 biggest producers* are worth buying.

That advice has been borne out by a torrent of bad news from tha mining companies in recent weeks. Placer Dome, Lac Minerals, Battle Mountain, Echo Bay, Breakwatsr Resources, Galactic Resources and Pegasus Gold all suffered sizable losses in the fourth quarter of 1990.

The poor earnings are only partly due to the impact of the lacklustre gold price on operating profits. Many companies have also taken big write-offs. Eight companies – Placer, Echo Bay, Breakwater, Hemlo, Pegasus, Galactic, Lac and its subsidiary, Bond International – have between them written down the value of their assets hy a total of more than US$400m.

The write-downs, althongh widely expected, have raised troubling questions about the gold producers, in particular the spate of new projects and exploration activity which mors than doubled North American output in the past five years.

Mr Richard Cohen, mining analyst st BBN James Capel in Toronto, says with some understatemant that "there have been a number of errors in the calculation of reserves".

He adds: "I'm hoping tbat people do a little more homework in future before they go and raise $100m for a new gold mine". One mining executive predicts that new mines will in future have to be supported by bigger, higher-grade deposits.

The write-downs fall into two main groups: deferred expenses on aborted exploration projects; and floundering mines.

In the first category, Bond International set aside US$84m with the promise that *exploration spending will in future be* deferred only when projects are likely to be brought to commsrcial prodnction. Battle Mountain has also begun accounting for exploration outlays as they occur.

Earnings have been dragged down by the sagging gold price hitting operating profits. But many groups have also made big write-offs

Among operating mines, Northgats Exploration has written off two-thirds of the value of its new Colomac mine in the Northwest Territories. Bond took a US$15m write-down of its Colosseum mine, cutting the property's proven reserves from 508,000 to 167,000 ounces.

What the write-downs have in common, however, is a recognition that many of the projects begun during the heady days of the mid and late 1980s were based on vastly over-optimistic assumptions.

In retrospect, the optimism was probably fuelled by the *gold industry's aggressive* efforts to court investors and keep predators at bay. Few North American companies have been more active than the gold producers in promoting their shares through investor relations departments and freqnent hriefings for analysts and journalists.

These efforts have kept analysts and investors remarkably well informed. But there is now a widely-held suspicion that many projects were rushed forward in an effort to keep share prices high, rather than allowed to wait for a sober assessment of the nitty-gritty details of a successful mine, such as ore grades and the accessibility of reserves.

"To justify high stock multiples, people did more, faster than they should have," says one Toronto mining analyst.

Although the write-offs have gone a *long way towards bringing* balance sheets closer to reality, the immediate outlook for the North American industry is far from promising.

Besides the sagging gold price, the industry is feeling the pinch from rising costs, especially extra demands to protect the environment. Canadian mines, for example, now have to set aside funds from their cash flow to restore mined-out areas to their original condition. "It'a making everyone pull in their horns," *says Mr John Harvey,* president of Hemlo Gold.

Ths steep climb in North American gold output over the past decade is unlikely to be *sustained in the early 1990s.* Mr Peter Miller, an analyst at Yorkton Securities, estimates that about 10 per cent of North American gold output is vulnerable at the present bullion price of US$360 to US$370 an ounce. He notes that the prodnction costs published by some companies, while appearing to be well below the present gold price, do not include head office and some other expenses.

About six mines are already struggling. Northgate's Colomac property, which started production last year, has so far failed to negotiate a debt restructuring, and does not even have the money to bring in supplies along its winter road. The mine will probably start running down operations early in the spring.

The Renabie mine in western Ontario, owned by Corona *Corp and American Barrick,* announced last week that it will close later this year. Another Corona property, the Nickel Plate mine in British *Columbia, is also* vulnerable. So is Galactic Resources' Summitville mine in Nevada, which was one of the pioneers of the heap-leaching method of gold extraction.

American Barrick's Camflo and Holt-McDermott mines are running out of ore. Two underground mines operated by Placer Dome, the Dome mine in Ontario and the Sigma property in Quebec, are also high-cost operations.

The list will lengthen if the gold price fails to recover within the next few months. Most prodncers have calculated their reserves on the basis of a US$400-per-ounce gold price. Tha longer the price stays below that, the less attractive these ore bodies become.

Some companies, notably American Barrick, have given themselves a cushion through various hedging devices which guarantee prices well above present market levels. But, again, the longer the price stays low, the more difficult it will become to renegotiate hedging contracts at the same profitable prices.

Trizec in C$126m equity issue

By Bernard Simon in Toronto

CALGARY-based Trizec Corp, *North America's* biggest pnblicly-held property developer, is cushioning itself against the slump in real estate markets with a large equity issue.

In s move carefully planned to coincide with the recent surge in North American stock markets, Trizec said yesterday it will raise C$126m (US$109m) in an issue of 8m units at C$15.75 apiece.

Each unit consists of one subordinate voting share and half a warrant to buy one share at a price of C$17.25 up to April 1 1993.

The recent fall in North American interest rates bas propelled real estate share prices npward. The Toronto Stock Exchange's real estate and construction index has climbed by 17 per cent since the beginning of the year.

Another Canadian developer, Markborough Properties, has *also announced a sizeable* equity issue.

With assets of C$11.4bn, Trizec has interests in 310 commercial properties in the US and Canada covering some 112m sq ft.

Its investments include a 25 per cent stake in the Rouse Company of Maryland, one of the US's leading shopping centre developers, and 69 per cent of Bramalea, a big Canadian home-builder.

Despite the surge in share prices, several of Trizec's investments are still feeling the pinch of the plunge in the North American real estate market.

Bramalea has taken a C$223m writedown on land which it bought at the peak of the last boom, and has warned that its cash flow will continue to be squeezed this year.

Trizec faces a further cash *drain through the increasingly* large inducements developers are being forced to offer their office-block tenants, and stagnant rental incomes.

The Bay-Adelaide Centre, a large new development in downtown Toronto, is expected to be another substantial burden on its resources.

Trizec is controlled by Carena Developments, a holding company linked to the Toronto-based Bronfman brothers.

The Reichmann *family's* Olympia & York Developments have a 36 per cent stake. Carena plans to take up enough of the new issue to maintain its 63 per cent stake in Trizec.

It was unclear yesterday whether Olympla & York, whose resources are being stretched by the Canary Wharf development in London, will subscribe to the issue.

Inland Steel plans $75m cash call

By Barbara Durr in Chicago

INLAND Steel Industries, the big Chicago-based steelmaker, yesterday filed a registration statement with the *Securities and Exchange Commission to* propose an offering of 1.5m shares of a new series of preferred stock.

The company's effort to raise fresh capital comes after a poor performance in 1990 and as it faces a peak in expenditure this year for npgrading facilities and putting new ones in operation.

Inland posted a net loss in 1990 of $20.6m, or $1.41 a share. To husband its scarce resources, it cut its quarterly March dividend by 20 cents to 15 cents a share.

The sale of the new preferred *shares* is expected to raise $75m to repay short-term debt and help finance capital expenditures. The issue will be underwritten by First Boston *Corporation* and *Goldman,* Sachs.

The underwriters will have an option to purchase np to 225,00 additional shares of the new preferred series to cover any over-allotments.

Inland is improving its Indiana Harbor Works steel-making complex and completing the second leg of its joint venture with Japan's Nippon Steel.

After starting commercial production at the *joint* venture's new cold rolled mill, I/N Tek, Inland plans to begin production in October of two new galvanising lines in the new *I/N Kote facility.*

● OMNICOM, the US advertising agency, has announced a public offering of 1.5m shares of common stock at $26.50 per share, AP-DJ reports.

Struggle over airline stake

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina is to try to make a leading shareholder in Aerolineas Argentinas, the privatised national airline, give np its stake in the company.

The government sold 85 per csnt of Aerolfneas Argentinas last November in a US$2.3bn caab and debt for equity swap to a consortium led hy Iberia of Spain and local investors.

However, the Argentine investors, headed by Austral, the leading domestic carrisr, faced difficulties in raising sufficient financing, forcing Iberia to raise its stake to 49 per cent from 20 per cent.

Mr Menem said ysstarday that Austral, with 17 per cent of Aerolfneas, would be "replaced by another Argentine company. It has not complied with *anything.*" Mr Menem would not say which company would take Austral'a place. By law, Iberia cannot raise its atake above 49 per cent.

However, Mr Enrique Pescarmona, owner of Austral, indicated he would not give up his share without a fight. He said he was "happy with Aerolineas. The Argentine group has complled with all its ohligations."

The government granted the buyers a three-month deadline for payment to prevent the collapss of Argentina's eecond largest privatisation.

That deadlina expired last month after Iberia and its partners ignored a demand by the economy ministry for full payment. Instead, it proposed an alternative *form* of payment *that is being considered by* the government.

The airline's ownership structure remains nebulous. The government saya Iberia holds 19 per cent of the shares "temporarily" while it seeks another partner.

Another 2 per cent of stock is held by an Argentins businessman living in Spain. Mr Alberto Natale, vice-president of Argentina's congressional privatisation committee, said Iberia in fact holds 51 per cent of the company.

The government is intent to avoid the politically costly decision of rescinding the contract and organising a new sale. The financial cost will also be considerable, since the airline husiness has auffered severely from the effects of the Gulf war.

INTERNATIONAL CAPITAL MARKETS

Greenspan comments send Treasuries into decline

By Karen Zagor in New York and Simon London in London

US Treasuries drifted slightly lower yesterday morning in quiet trading after comments by Mr Alan Greenspan, chairman of the Federal Reserve, gave the market little reason to believe that monetary policy would ease soon.

Mr Greenspan, testifying before Congress yesterday, said the US recession was not getting any deeper and the economy might begin to improve in a few months. However, he added if the credit crunch continued, the Federal Reserve might take further action.

At mid-session, the treasury's benchmark 30-year bond was off ⅛ at 95⅞, yielding 8.27 per cent. Shorter-dated maturities, which had posted smaller gains on Tuesday, were about ¼ point lower at midday.

The Federal Reserve arranged overnight system repurchase agreements when Fed funds were changing hands at 6⅝ per cent. The Fed's perceived target for the rate is 6¼ per cent.

In spite of Mr Greenspan's comments, trading was quiet yesterday morning and the market found some strength from short-covering.

GOVERNMENT BONDS

■ FURTHER signs of resilience in the German economy cut short the tentative recovery in German government bonds seen earlier in the week.

The June bund futures contract closed at 85.75, off the days lows but well below the 85.85 opening level. On the cash market, the last 9 per cent bund closed little changed on a yield of 8.33 per cent.

Analysts were surprised by the 2.8 per cent rise in industrial orders for January announced yesterday, for a year-on-year growth rate of 8.9 per cent. Combined with figures released yesterday showing a seasonally adjusted drop in unemployment for last month, the data was taken as a clear sign that inflationary pressures persist in the economy.

While this economic strength suggests that German interest rates will have to stay high for longer than expected, the Bundesbank yesterday signalled its intention to resist any further upward shift in money market interest rates.

The bank injected a substantial DM12.6bn of funds at its regular repurchase operation. Analysts interpreted this as a move to keep money-market interest rates below the Lombard rate, which is meant to be an emergency funding rate set at a punitive level.

■ THE Japanese government bond market was focused on the strength of the dollar against the yen yesterday, trading within a narrow range and waiting for signs of either a sustained rally or further depreciation of the US currency.

In the absence of retail buying, the market was driven by professional dealing. In Tokyo trading, the benchmark government bond issue No 129 offered a yield of 6.59 per cent at the days high, but traded down to 6.655 per cent. In London, the 129 traded at around 6.60 per cent in thin volume.

On the foreign exchange markets, the dollar showed further signs of a recovery and was trading at around Y136.50 in mid-afternoon. The market may be discounting further appreciation of the dollar towards Y137.

■ UK government bonds drifted without clear direction yesterday as traders waited for the result of today's parliamentary by-election at Ribble Valley for fresh impetus.

Longer maturity gilts fell slightly after Tuesday's minor rally, the benchmark 11¾ per cent gilt maturing 2003/2007 closing at 110⅛ for a yield of 10.22 per cent, against 10.19 per cent on Tuesday.

The June gilt futures contract on the Liffe closed at around 91.81 after opening at 92.09. Volume was a moderate 16,500 contracts.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-25	-	10.77	10.67	11.40
		9.000	03/00	93-15	+02/32	10.12	10.02	10.12
		9.000	10/08	92-31	-01/32	9.85	9.76	9.83
US TREASURY *		7.750	02/01	97-21	-03/32	8.10	7.99	7.89
		7.875	02/21	95-21	-07/32	8.27	8.18	8.08
JAPAN	No 119	4.800	06/99	88.4540	+0.002	7.00	6.79	6.60
	No 129	6.400	03/00	96.8114	+0.028	6.61	6.41	6.66
GERMANY		9.000	01/01	104.3500	+0.130	8.33	8.34	8.56
FRANCE	BTAN	9.000	02/96	99.0718	-0.039	9.23	9.26	9.86
	OAT	9.500	01/01	102.9500	+0.100	9.03	9.04	9.45
CANADA *		9.750	06/01	100.7000	+0.200	9.64	9.81	9.69
NETHERLANDS		8.500	03/01	99.2700	+0.070	8.61	8.62	8.72
AUSTRALIA		13.000	07/00	100.3071	-0.062	11.52	11.54	11.39
BELGIUM		10.000	08/00	104.8500	+0.400	9.19	9.05	9.27

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

El Salvador presses on with bank reforms

EL SALVADOR'S plans to privatise six banks and seven savings and loan institutions under a programme of economic reform are progressing smoothly.

According to officials, the first two banks are due to be floated as early as next month, although in the words of one US diplomat, bank privatisation "is one of the biggest challenges now facing the government".

President Alfredo Cristiani's team of young technocrats who are running the economic programme are fully aware of the delicacy of the task facing them. The 38-year-old vice-president of the central bank, Mr Jose Carlos Bonilla, said: "This government wants a market economy with social justice. The privatisation plan is not aimed at benefiting only one sector. It is aimed at balancing the interests of all".

Tim Coone looks at the delicate task facing the government as it embarks on a programme of privatisation

He said no individual or business group will be allowed to hold more than 5 per cent of the shares of any one bank or financial institution. And bank employees and small investors will be given first options on the shares. Loan portfolios will be monitored in order to head off problems as early as possible and to oblige banks to increase reserves against suspect assets.

"The staff of the supervisory board will be highly paid to minimise the potential for corruption," he said. A computer system will back up the regulatory board.

The political opposition acknowledges that reform is needed, although it questions the government's haste.

According to the Christian Democrat leader and former planning minister, Mr Fidel Chavez Mena: "In principal, we are not against (bank) privatisation. But it is irresponsible without first achieving macro-economic stability".

He pointed to a rising inflationary trend and a stubborn fiscal deficit, which are being exacerbated by the continuing civil war and rising petrol prices. Privatisation in such circumstances may lead to early failures and expensive bale-outs he argued.

The government has responded by arguing there is no time to lose.

"We must create jobs and increase output now. An efficient banking system is vital for this," Mr Bonilla said.

One of the biggest hazards in this political minefield is the future of the agrarian reform co-operatives. Failed loans to this sector account for a significant portion of the $200m which the central bank estimates the government will have to borrow to clean up the banks' portfolios ahead of privatisation.

The Privatised banks will continue to manage the loans as off-balance sheet entries and they will be encouraged to collect difficult loans under a system of incentives offered by the central bank. Some 35 per cent of the financial system's loan portfolios are rated as non-performing by the central bank.

The co-operatives fear they could be starved of credit, forcing foreclosures and thereby rolling back agrarian reform. This could prove an intractable problem for the ruling Arena party facing assembly elections next year and presidential elections in 1994.

The government has an answer. Mr Bonilla says a state-managed fund will underwrite loans to problem sectors by up to 70 per cent so that lending can continue to the co-operatives, although he added they must also be encouraged to be more efficient.

Once the privatised banks are placed on secure financial footing, foreign banks will be invited to set up business.

"The competition will be good, to provide better and more comprehensive financial services," said Mr Bonilla. Some foreign banks already operate in the country, but are restricted from operating savings accounts.

Once deregulation is complete, however, they will be allowed to compete freely with the local banks.

Parallel to the banking reform, moves are also underway to establish a stock market in El Salvador.

"We hope to have it functioning within a year," said Mr Bonilla, although he acknowledged it is likely to take considerably longer before it becomes a significant alternative to bank funding for new investment.

Shares in the privatised banks, he said, are likely to become the newly-installed stock exchange's first "raw material".

NSW bank expands bond programme

BANK of New South Wales, the state government-owned bank, has increased the size of its bond programme to A$3bn from A$1bn, Reuter reports from Sydney.

The bank said its programme was now equal in size to that of the federal government-owned Commonwealth Bank of Australia. It said the two banks were the only borrowers not adversely affected by the widening of spreads in the corporate bond market.

BNSW intends to issue further tranches of bonds to raise its outstanding issues, currently A$400m of March 1996 and A$250m of September 1994 maturities, to A$500m each.

The bank also announced the appointment of Bankers Trust Australia and CS First Boston to the programme's management group.

● Morgan Guaranty is issuing $100m of subordinated bank notes due March 15 1996, yielding 8.27 per cent. Sole manager is Lehman Brothers. The notes have an 8¼ per cent coupon and were initially re-offered at 99.41 to yield 57 basis points more than comparable treasury securities.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on March 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101⅝		8.24
ALBERTA PROVINCE 9 3/8 95	600	103⅛	103⅜		8.44
AUSTRIA 8 1/2 00	400	98⅞	98⅝		8.74
BANK OF TOKYO 8 3/8 96	100	98⅜	98⅞	+⅛	8.78
BELGIUM 9 1/8 92	400	101⅝	102	-⅛	7.98
BFCE 7 3/4 97	150	97⅜	97⅞		8.38
BNP 8 5/8 94	300	101⅛	101⅝		8.21
BP CAPITAL 9 5/8 93	150	102⅞	103⅛		8.17
CANADA 9 96	1000	103¼	103½		8.18
CARCO 9 1/4 96	650	97⅜	98⅛	+⅛	9.81
CCCE 9 1/4 93	300	103⅛	103⅞		8.19
COUNCIL EUROPE 8 96	100	98⅜	98⅞	+⅛	8.37
CREDIT FONCIER 9 1/2 99	300	104⅛	104⅝	-⅛	8.73
DENMARK 0 98	250	53⅜	54⅛	-⅛	8.77
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	92⅛	93⅛		9.78
KREDIETCORP 7 93 LFr	1000	94⅛	95⅛		9.74
WORLD BANK 8 96 LFr	1000	94⅛	95⅛		9.46
AMRO BANK 6 1/4 92 Fl	150	94⅞	95⅛		10.19
RABOBANK 5 3/4 93 Fl	150	92⅛	93⅛		10.18
ALBERTA PROVINCE 10 92 C$	500	99⅛	100	+⅛	10.11
BCE INC 9 5/8 93 C$	300	98⅞	99⅛	+⅛	10.34
BELL CANADA 10 5/8 99 C$	150	100⅛	101	+⅛	10.51
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅛	98⅞		10.19
EIB 10 1/8 98 C$	130	100⅛	100⅜	+⅛	10.10
FORD CREDIT CANADA 10 94 C$	100	97⅞	98⅛	+⅛	10.73
GENERAL ELECT CAP 10 1/4 93 C$	175	101⅛	101⅝	+⅛	9.68
MONTREAL TRUSTCO 8 1/2 92 C$	100	97⅞	98⅛	+⅛	10.84
ONTARIO HYDRO 10 7/8 99 C$	500	101⅜	102	+⅛	10.56
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Crédit Lyonnais wins EIB dollar issue mandate

By Tracy Corrigan

THE European Investment Bank's (EIB) choice of Crédit Lyonnais to lead manage its latest $300m Eurobond offering took market participants by surprise, as the French bank has little track record in arranging dollar-denominated transactions, other than for its parent.

An EIB official said Crédit Lyonnais was one of six banks bidding for the mandate. EIB's practice is to ask a rotating group of banks to bid for deals. The overall cost of the Crédit Lyonnais proposal, including the arrangement of a deferred rate setting mechanism, was the cheapest for the bank.

INTERNATIONAL BONDS

The $300m issue of eight-year bonds was considered aggressively priced in a market where demand for longer-dated dollar paper is fading. The 8⅝ per cent bonds were priced to yield 50 basis points above the seven-year treasury yield. However, the margin was only 45 basis points above the interpolated yield curve, a more accurate reflection of market value.

The World Bank's eight-year bonds were quoted at 48 basis points over the seven-year deal, but that deal is trading at a premium to its issue price, which makes it less attractive to investors.

Dealers said the issue was moving rather slowly, and the spread widened slightly when the deal broke syndicate at the end of European trading. However, the price of the issue was unchanged at 99.80, the fixed-price reoffer level. An A$75m deal for the Australian subsidiary of Toronto-Dominion was rather overshadowed by a deal for GMAC Australia with a much higher coupon.

GMAC's A$200m issue of bonds carry a 15 per cent coupon and yield 85 basis points more than the TorDom deal. Even though GMAC is a declining credit, with only single-A ratings now, the 15 per cent coupon, the first in the sector in nearly two months, proved attractive to retail investors, and the double-A-rated Tordom deal suffered by comparison.

In the Euroyen sector, Eurofima launched a Y30bn three-year deal via Nikko Securities, while Mitsui Real Estate brought a Y40bn seven-year deal, arranged by Nomura International.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB‡	300	8⅝	99.80	1999	32½/20bp	Credit Lyonnais
AUSTRALIAN DOLLARS						
GMAC Australia(Fin.)(a)†	75	15	101½	1994	1½/1	Hambros Bank
Toronto-Dominion Aus.(a)†	75	12¼	101.85	1994	1½/1	Westpac Banking Corp.
D-MARKS						
Salomon Brothers AG†	50	10⅝	101	1993	1¼	Salomon Brothers AG
SWISS FRANCS						
Finnish Real Est.Bk.(a)†	75	7¼	101½	1996	2½	J.Henry Schroder Bk.
YEN						
Mitsui Real Est.Dev.(a)†	40bn	7	101⅞	1998	1⅞	Nomura International
Eurofima(a)†	30bn	8⅞	98¼	1994	18¼bp	Nikko Secs.Co.(Euro.)
Okobank(a)†	3bn	9	100⅞	1992	⅝	Nippon Credit Int.

*Private placement. §Convertible. ‡With equity warrants. †Final terms. a) Non-callable.

Companies can now write puts on own shares

By Barbara Durr in Chicago

THE Chicago Board Options Exchange has won a ruling from the Securities and Exchange Commission that makes it possible now for companies to write put options on their own shares.

Only companies whose shares are already traded as standardised options will be eligible.

The SEC issued a "no action" advisory that removes the legal uncertainties that had stopped put writing by companies.

Inquiry rules out stock market manipulation

By Jim McCallum

THE London Stock Exchange has completed its investigation into the expiry of the February FT-SE 100 index option contract last week and decided there was no evidence the stock market was manipulated.

The inquiry concluded that there was no evidence to suggest the securities house at the centre of the complaint had not been prepared to deal in shares at the prices it was indicating on the Seaq trading screens.

Three market participants had complained to the stock exchange that the stock market had been artificially boosted during the expiry of the FT-SE options contracts.

However, the results of the inquiry was criticised by some market participants.

One senior futures and options dealer, who asked not to be named, said: "This will do little to boost investors' confidence in the derivatives market."

The inquiry was the second in less than a year into claims of market manipulation. Last July, the stock exchange cleared two large securities houses of artificially moving the stock market ahead of the expiry of the June FT-SE futures and options contracts.

Liffe, LTOM merger moves a step closer

By Tracy Corrigan

ONE of the two barriers blocking the planned merger of the London International Financial Futures Exchange and the London Traded Options Market is close to being removed.

A consultative paper sent to Liffe and LTOM members proposing a clearing system to suit both exchanges has met with broad approval.

However, the question of stock-lending privileges, the other main obstacle to the merger, has yet to be resolved.

Currently, Liffe's clearing system works on a 'principal to principal' basis, while LTOM uses an 'agency' system, in common with the International Stock Exchange. This means that on Liffe a broker can act as a principal, while on LTOM end-buyers and sellers are the principals, with the broker acting as an agent.

"We are creating a new style of clearing for the market," said Mr Vincent Mercer, head of risk management at LTOM.

The merged London Derivatives Exchange will use the 'principal' method, with the London Clearing House acting as guarantor for both Liffe and LTOM members. (The Stock Exchange currently guarantees LTOM transactions). Under the new system, LCH will manage delivery as well as clearing.

There are still technical questions to settle. For example, it is not certain whether the clearing house will be subject to stamp duty reserve tax by the Inland Revenue.

The issue of stock-lending is proving more thorny. Market-makers frequently need to borrow stock to cover short positions or to hedge trading positions.

LTOM market-makers have certain privileges when they borrow stock from the International Stock Exchange. An agreement whereby Liffe members which are not also LTOM members gain the same rights and fiscal advantages has not yet been reached, although discussions with the Bank of England, the International Stock Exchange and, again, the Inland Revenue continue.

The exchanges hope that this remaining stumbling block will have been removed before Liffe's annual meeting in May, so that a prospectus for the merged exchange can be issued.

The merger, originally scheduled for the first half of the year, is not now expected to be realised until the end of 1991.

Slow start to launch of Ecu bond futures contract

By Tracy Corrigan

VOLUME in the Ecu bond futures contract, launched on the London International Financial Futures yesterday, got off to a steady but rather uninspiring start. Volume reached 3,828 contracts, representing turnover of Ecu765m. This level of activity was towards the lower end of market expectations.

Dealers noted trading is generally slow in the world's bond markets at the moment. The recent strong rally in bond prices has run out of steam since the end of the Gulf war, and markets are mostly trading in a narrow range.

In addition, the recent heavy supply of Ecu Eurobond issues has left the cash market rather saturated, forestalling further issuance in the sector. Consequently, there has been little primary market business to hedge. Dealers expect activity in the contract to pick up when the flow of new issues gets underway again, probably within the next month or so.

By then, some accounts, which have hedged Ecu bond positions by using instruments like the Bund future, will turn to the Ecu contract. (A comparable contract has, however, been available on the French futures exchange, the Matif, since the end of last year.)

It is also expected some arbitrageurs will take advantage of any technical difference in value between the cash and derivatives market. Such trades, called basis trades, would help increase the liquidity of the contract.

However, for such trades to be worthwhile, the futures market has to deal on a fairly tight bid/offer spread. The spread yesterday was two basis points for the June delivery contract, according to Liffe.

Dealers, who reported a strong geographical spread of clients, said daily volume was likely to settle between 2,000 and 3,000 contracts.

"We saw the same clients who trade in bund and OAT futures," said Mr Nick Buckmaster, manager of futures and options at Daiwa Europe.

● Mitsubishi Finance International launched an issue of 50,000 American style put and call warrants linked to the June and September Ecu bond futures contracts on Liffe. The issue, the first of its kind, will be listed on the International Stock Exchange.

The Ecu bond dealing pit, which began its first day's trading at 7.30am yesterday

Nomura Securities downgraded by European agency

NOMURA SECURITIES, the largest Japanese securities firm, has had it's credit rating downgraded by IBCA, the European rating agency, writes Simon London.

The firm's rating for senior debt is lowered one notch from the top triple-A rating to AA+. It's top A1+ short-term rating remains unchanged.

IBCA said while Nomura's financial position remains very strong, the outlook for securities companies in Japan is far less favourable. Despite a decline in earnings of nearly 50 per cent last year, the firm's financial ratios remain good.

At the end of the last financial year, Nomura had around $2bn of long-term debt outstanding, said IBCA.

Like other Japanese securities firms, Nomura is facing competition from US institutions which have been building market share in Tokyo. Moreover, the ministry of finance is proposing to open up some areas of investment banking to Japanese banks.

Nomura is the only Japanese securities house rated by IBCA, but the agency has no triple-A credit ratings on Japanese banks. Nomura retains a triple-A credit rating from Standard & Poor's and Moody's Investors Service, the US rating agencies. S&P rates competitors, Daiwa Securities and Nikko Securities, AA, two notches below Nomura.

Merged SRO to be renamed

THE merged Self-Regulating Organisation (SRO) covering futures and securities will be called the Securities and Futures Authority (SFA), Reuter reports. The Association of Futures Brokers and Dealers (AFBD) and The Securities Association (TSA) will merge on April 1.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 6 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Mar 5 Index No.	Mon Mar 4 Index No.	Fri Mar 1 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (188)	872.60	+1.1	12.14	5.51	10.03	0.85	863.52	850.87	848.11	844.89
2 Building Materials (24)	1165.52	+0.2	12.20	5.23	10.08	0.55	1163.09	1156.91	1154.94	1026.85
3 Contracting, Construction (31)	1409.40	+0.2	12.70	5.55	10.21	3.90	1406.83	1383.81	1374.77	1388.22
4 Electricals (10)	2396.19	+1.3	11.57	5.57	10.74	0.80	2365.15	2344.99	2337.32	2383.88
5 Electronics (26)	1845.29	+1.9	8.55	4.84	15.55	1.55	1810.51	1772.47	1771.71	1856.66
6 Engineering-Aerospace (8)	466.48	+1.7	15.68	5.34	7.68	0.86	458.90	444.93	444.04	415.39
7 Engineering-General (47)	449.16	+2.0	13.16	5.75	9.14	1.15	440.15	434.31	428.58	455.30
8 Metals and Metal Forming (8)	488.25	-0.1	18.69	7.07	6.61	0.00	488.62	480.38	475.12	468.22
9 Motors (13)	359.25	+2.3	12.81	6.67	9.29	0.00	351.25	342.97	343.78	350.07
10 Other Industrial Materials (21)	1517.07	+1.0	10.74	5.36	10.76	0.71	1502.51	1480.90	1482.54	1338.09
21 CONSUMER GROUP (182)	1400.70	+1.9	8.65	3.74	14.36	3.44	1375.06	1351.32	1352.07	1200.60
22 Brewers and Distillers (22)	1725.99	+1.0	9.29	5.62	13.27	7.47	1708.09	1692.94	1701.11	1487.41
25 Food Manufacturing (20)	1160.50	+1.9	9.90	4.15	12.46	1.49	1139.02	1126.63	1130.98	1039.57
26 Food Retailing (16)	2561.90	+1.8	8.26	3.03	15.83	3.15	2517.81	2482.40	2489.90	2232.65
27 Health and Household (21)	3078.53	+2.6	6.01	2.59	19.69	0.91	3000.02	2916.84	2901.94	2379.53
29 Hotels and Leisure (22)	1383.25	+2.8	9.87	4.96	12.02	9.06	1345.71	1323.04	1314.34	1461.00
30 Media (25)	1401.60	+2.2	10.42	4.92	12.12	7.81	1371.56	1344.51	1344.96	0.00
31 Packaging & Paper (11)	653.76	+4.2	8.05	5.27	15.23	0.50	627.18	605.55	599.57	550.56
34 Stores (34)	877.22	+0.6	9.68	4.16	13.44	1.76	872.85	860.44	870.04	768.89
35 Textiles (11)	525.14	+2.5	10.15	6.11	12.69	0.65	512.51	495.04	467.13	487.42
40 OTHER GROUPS (218)	1196.69	+2.5	10.55	5.01	11.52	2.56	1167.00	1150.98	1150.39	1139.57
41 Business Services (12)	1139.19	+4.5	10.78	4.65	11.27	0.26	1109.43	1084.51	1070.14	0.00
42 Chemicals (21)	1292.04	+2.9	9.44	5.52	12.90	0.77	1255.03	1237.86	1228.88	1187.98
43 Conglomerates (11)	1554.40	+1.6	10.98	6.63	10.86	6.83	1530.39	1522.60	1526.88	1582.98
44 Transport (15)	2223.12	+1.7	11.76	4.59	10.49	1.82	2185.63	2180.72	2152.53	2204.02
45 Electricity (12)	1149.27	+2.5	10.75	6.12	11.25	0.00	1121.06	1123.29	1125.00	0.00
46 Telephone Networks (3)	1359.96	+5.3	9.83	3.72	13.23	0.00	1324.22	1279.12	1294.21	1253.87
47 Water (10)	2473.04	+1.1	13.71	5.67	8.15	39.69	2445.21	2437.16	2441.45	1964.94
48 Miscellaneous (26)	1890.91	+2.2	9.97	4.79	11.72	1.37	1861.57	1830.87	1830.66	1837.36
49 INDUSTRIAL GROUP (480)	1212.33	+1.9	9.99	4.52	12.27	2.47	1189.67	1171.33	1170.43	1106.37
51 Oil & Gas (20)	2362.72	+1.0	10.96	5.61	11.94	34.91	2339.71	2334.50	2346.22	2342.91
59 500 SHARE INDEX (500)	1309.88	+1.8	10.12	4.66	12.23	4.88	1286.95	1268.19	1269.40	1208.80
61 FINANCIAL GROUP (98)	831.90	+1.7	-	5.68	-	2.87	817.97	804.57	802.00	793.53
62 Banks (9)	924.63	+2.4	11.47	6.11	12.02	5.83	903.30	882.32	876.45	870.52
65 Insurance (Life) (7)	1468.22	+1.1	-	5.23	-	0.00	1466.70	1447.73	1456.89	1274.80
66 Insurance (Composite) (6)	712.73	+0.8	-	6.09	-	0.00	707.42	702.12	696.36	652.15
67 Insurance (Brokers) (8)	1103.20	+1.7	6.70	5.84	19.54	7.94	1084.62	1068.11	1062.50	1062.28
68 Merchant Banks (7)	427.82	+1.5	-	4.77	-	0.00	409.31	405.81	403.86	471.28
69 Property (41)	1054.81	+1.4	6.30	4.46	21.75	1.26	1040.63	1024.82	1027.76	1084.60
70 Other Financial (24)	287.23	+3.4	8.75	6.59	14.42	2.30	278.93	276.22	276.10	309.86
71 Investment Trusts (69)	1196.49	+3.2	-	3.41	-	4.03	1158.86	1147.03	1146.33	1143.73
99 ALL-SHARE INDEX (667)	1192.56	+1.8	-	4.77	-	4.39	1171.35	1154.87	1154.48	1187.51

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 5	Mar 4	Mar 1	Feb 28	Feb 27	Year ago
FT-SE 100 SHARE INDEX ♦	2459.9	+39.8	2480.6	2448.5	2420.1	2382.9	2386.9	2380.9	2348.0	2230.3

FIXED INTEREST

PRICE INDICES	Wed Mar 6	Day's change %	Tue Mar 5	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.17	+0.14	121.00	2.18	1.70
2 5-15 years (31)	131.29	+0.17	131.06	1.92	2.69
3 Over 15 years (8)	139.02	+0.08	138.90	2.05	2.24
4 Irredeemables (6)	153.49	+0.31	153.02	2.36	1.50
5 All stocks (73)	130.40	+0.16	130.20	2.05	2.32
Index-Linked					
6 Up to 5 years (2)	158.59	+0.08	158.46	0.28	1.03
7 Over 5 years (10)	145.13	+0.17	144.89	0.61	0.89
8 All stocks (12)	146.02	+0.16	145.79	0.59	0.90
9 Debs & Loans (54)	110.24	+0.03	110.21	2.47	1.67

AVERAGE GROSS REDEMPTION YIELDS		Wed Mar 6	Tue Mar 5	Year ago (approx.)
British Government				
1 Low	5 years	9.36	9.37	11.40
2 Coupons	15 years	9.68	9.69	11.07
3 (0%-7¾%)	25 years	9.84	9.85	10.96
4 Medium	5 years	10.24	10.29	12.72
5 Coupons	15 years	10.09	10.10	11.51
6 (8%-10¾%)	25 years	10.01	10.01	11.08
7 High	5 years	10.39	10.43	12.83
8 Coupons	15 years	10.26	10.27	11.74
9 (11%-)	25 years	10.17	10.16	11.25
10 Irredeemables		10.01	10.04	10.98
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs	3.72	3.75	4.58
12 Inflation rate 5%	Over 5 yrs	4.14	4.15	4.06
13 Inflation rate 10%	Up to 5 yrs	2.31	2.33	5.66
14 Inflation rate 10%	Over 5 yrs	3.95	3.96	3.88
15 Debs &	5 years	11.86	11.86	13.80
16 Loans	15 years	11.61	11.61	13.12
17	25 years	11.40	11.40	13.12

Opening index 2457.7; 9 am 2454.6; 10 am 2452.7; 11 am 2460.8; Noon 2469.6; 1 pm 2476.0; 2 pm 2477.8; 2.30 pm 2475.0; 3 pm 2466.6; 4.10 pm 2455.3 ... Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. FT-ACTUARIES INDICES SERVICE ... subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	4	11
Corporations, Dominion and Foreign Bonds	5	2	14
Industrials	883	110	559
Financial and Properties	490	21	236
Oils	30	15	47
Plantations	0	1	9
Mines	44	27	92
Others	94	14	43
Totals	1,617	194	1,011

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	115	102	East German Inv. Trt.	115	+1	-	-	-	-
§100	F.P.	-	95	58	¶Eidos 10p	60	+1	-	-	-	-
-	F.P.	-	10	15	¶Europe Energy 5p	15		-	-	-	-
-	F.P.	-	3988	3475	Eurotunnel Prder. Wrnts.	3975	+73	-	-	-	-
-	F.P.	-	140	90	JF Pacific (New Wrnts)	140	+10	-	-	-	-
-	F.P.	-	7	6	MMI Warrants	7	+½	-	-	-	-
50	F.P.	-	45	43	Trio Inv. Trust	45	+1	-	-	-	-
-	F.P.	-	9	6	Do. Warrants	7		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cr Cap Bd	83	+3
100p	F.P.	-	111p	105p	Brit. Land 8¾pc Cnv. Cap. Bds. 2011	111p	+1
100p	F.P.	-	113p	93p	Enreal 7.25p (Net) Cnv. Red. Prf.	113p	+5
8	P/P	29/11	38p	30p	¶Greenacre Group Cv. Rd. Prf. 70p	30p	
35	-	-	35½	29½	Grovewood Securities 8pc Cr Ln 2000	35½	
100p	F.P	-	107p	96p	ITT Group 10⅞pc Cnv. Red. Prf. 1997	106p	
100p	F.P.	-	122p	97p	Worcester Cas Rd Cr Pf	122p	+3

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
5	Nil	22/4	3pm	2pm	Alpine Group 2½p	2½pm	+½
15	Nil	9/3	2pm	¼pm	¶Europe Energy 5p	¼pm	
12½	Nil	11/3	1¼pm	1¼pm	Plumpton	1¼pm	
50	Nil	19/4	20pm	12pm	Resort Hotels 50p	16pm	+2
32	Nil	-	18pm	12pm	Wickes	18pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted Securities Market. ♦ Issued in connection with reorganisation, merger or takeover. ◆◆ Price at a premium.

TRADITIONAL OPTIONS

● First Dealings March 4
● Last Dealings March 15
● Last Declarations June 13
● For settlement June 24

For rate indications see end of London Share Service

Calls in Antofagasta, Brent Walker, BTR warrants '93/94, Buckingham Intl., Cityvision, Cliff Res., Dares Ests., Davy Corp., Euro Disney, Ferranti, Geevor, London Secs., Markheath, Meekatharra, Mountleigh, Next, Pavilion Lels., Saatchi & Saatchi, Tusker Res., Quiligotti and Securiguard. Puts in Dixons and Manganese Bronze. Put and call in Euro Disney.

LONDON TRADED OPTIONS

Option	Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*533)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASDA (*141)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Airways (*172)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SmKl Beecham A (*753)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*355)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*334)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*142)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*1065)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C & W (*542) 500	57	69	85	7	16	22
550	23	39	57	24	37	42
Courtaulds (*389) 330	64	68	77	1½	4	6½
360	36	42	55	4½	11	14
390	15	24	36	15	24	26
Com. Union (*529) 460	71	75	80	2½	7½	14
500	31	45	55	12	20	28
550	7	22	30	45	50	53
Fisons (*459) 390	76	86	99	2	5	7½
420	48	60	74	5	11	14
460	10	35	49	20	25	27
GKN (*369) 330	60	65	67	3	7	11
360	30	45	49	9	16	22
390	13	28	33	25	28	35
Grand Met. (*747) 650	112	130	143	2½	10	12
700	67	91	110	9	21	24
750	32	58	79	27	39	42
I.C.I. (*1103) 1050	56	93	107	30	42	57
1100	28	-	-	57	-	-
1150	15	-	-	95	-	-
Kingfisher (*443) 390	62	75	79	1½	8	11
420	56	47	57	7	15	20
460	14	27	56	25	33	34
Ladbroke (*276) 240	44	46	56	3	7	11
260	25	34	43	7	15	20
280	14	22	32	15	24	27
Land Secur (*555) 500	65	74	83	3	7	11
550	26	36	51	14	25	28
600	6	15	26	48	57	61
M & S (*243) 220	29	33	40	1	6	7½
240	14	20	27	7½	15	16
260	4½	11	16	19	26	28
Sainsbury (*334) 300	41	47	57	1	5½	7½
330	18	26	36	8½	14	17
360	5	12	21	29	33	34
Shell Trans. (*475) 420	65	78	88	3	6	9
460	30	47	57	10	12	21
500	9	25	33	32	36	38
Storehouse (*117) 100	22	25	26	2	4½	6
110	15	16	20	5	7½	10
120	7	11	13	8½	11	15

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds (*713) 650	75	87	102	12	23	27
700	40	57	75	29	41	48
BTR (*401) 390	26	39	44	16	22	27
420	15	-	-	29	-	-
Brit. Telecom (*334) 330	22	29	35	10	17	21
360	8	-	-	29	-	-
Cadbury Sch (*377) 360	28	41	48	11	15	18
390	12	24	14	27	30	33
Guinness (*814) 800	47	71	88	17	35	43
850	21	47	61	56	63	70
GEC (*209) 200	18½	21	26	5½	10	10
220	8	11	15	15	21	25
Hanson (*230) 220	20	26½	33	5	8	9½
240	9½	15	22	14	17	19
LASMO (*376) 360	33	45	55	14	18	23
390	19	32	40	32	33	35
Lucas Inds (*170) 160	19	24	28	8	11	15
180	6	12	16	10	21	24
P. & O. (*625) 550	84	92	97	8	14	22
600	42	60	67	26	32	42
Pilkington (*192) 180	23	24	30	6½	13	15
200	12	15	21	16	24	26
Prudential (*229) 220	15	21	26	9½	12½	16
240	6	13½	16	22	23	26
Racal (*211) 200	22	29	35	7	12	14
220	12	20	25	17	21	24
R.T.Z. (*538) 500	48	66	76	16	20	25
550	20	38	48	40	43	47
Scot. & New (*389) 360	46	53	60	6	11	14
390	25	34	43	17	25	27
Tesco (*252) 240	-	-	32	-	-	12
253	12	18	-	12	15	-
Thames Water (*304) 300	22	27	31	10	18	21
330	8½	12	16	27	34	37

Option	Apr	Jul		Apr	Jul	
STC (*320) 300	-	-	-	¼	¼	-
330	¼	-	-	-	-	-

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears (*95) 90	6½	18	12	1½	6	7
100	1½	5	7½	6½	11	15
THF (*281) 280	11	17	27	9	18	22
300	4	11	17	10	31	34
Thorn EMI (*752) 750	20	52	60	16	27	45
800	4	-	-	47	-	-
TSB (*159) 140	20	26	30	1	3	5½
160	4	12	14	5	9	11
Vaal Reefs (*59) 50	12	16	17	1¼	4	6
60	5	10	12	4	9	11
Wellcome (*529) 500	38	63	82	7	22	28
550	10	37	53	33	45	50

EURO FT-SE INDEX (*2455)	2225	2225	2325	2375	2425	2475	2525	2625
CALLS								
Mar	245	196	149	107	70	40	20	4
Apr	265	217	174	136	102	73	-	-
May	279	-	195	-	125	-	69	-
Jun	292	-	212	-	143	-	91	50
Sep	335	-	260	-	200	-	145	105
Dec	380	-	310	-	250	-	190	147
PUTS								
Mar	3	4	7	15	25	45	73	158
Apr	9	15	20	32	45	65	-	-
May	12	-	30	-	59	-	102	-
Jun	23	-	35	-	68	-	110	168
Sep	30	-	61	-	90	-	126	178
Dec	55	-	75	-	100	-	140	180

FT-SE INDEX (*2455)	2200	2250	2300	2350	2400	2450	2500	2600
CALLS								
Mar	273	224	178	133	89	55	28	-
Apr	292	246	203	160	123	89	62	-
May	306	260	218	178	142	110	84	-
Jun	317	275	236	198	165	133	105	65
Dec †	390	-	318	-	256	-	197	140
PUTS								
Mar	2½	4½	7	11	20	37	65	-
Apr	9	14½	20	28	41	60½	85	-
May	15	21	28	40	54	73	97	-
Jun	21	28	36	47	61	80	104	167
Dec †	50	-	73	-	104	-	146	202

March 6 Total Contracts 50,045
Calls 34,337 Puts 15,708
FT-SE Index Calls 11,083 Puts 5,934
Euro FT-SE Calls 1,744 Puts 2,167
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Next to put Sears bid for Grattan to investors

By John Thornhill

NEXT, the fashion retailing group, said yesterday that it would put Sears' £150m bid for its Grattan mail order business to shareholders now that the offer had been declared unconditional.

However, Otto Versand, the German rival for Grattan which has already offered £140m, yesterday moved to strengthen its position by buying more Next shares in the market, taking its holding to just under 10 per cent.

Next's board will meet today to consider Sears' offer and will send a circular to shareholders on Friday spelling out its recommendation on whether to accept.

Although the £10m price difference will weigh heavily with the board, given Next's parlous financial condition, it will also consider qualitative differences between the two bids.

For example, Otto is more likely to guarantee the jobs of Grattan's employees and would be best placed to continue trading arrangements with the Next Directory business, the catalogue home-shopping operation which is to be retained. It is also pertinent that Sears competes directly with Next's high street fashion outlets.

Geoffrey Maitland Smith: eager to press on with bid

Otto, however, might ease Next's deliberations by raising its offer to match or top Sears' bid, but there was no indication of any revised bid from the company's Hamburg headquarters last night.

Mr Geoffrey Maitland Smith, Sears' chairman, pointed out that his company's offer did not need approval from the European Commission, as was the case with Otto's bid. He added: "I am very pleased with today's developments and I now hope our bid proceeds without any further hitches."

Sears' bid remains open until March 28. Next's shareholders are due to meet at an extraordinary general meeting next Wednesday to consider Otto's offer.

● Moody's Investors Service, the US credit rating agency, has placed Sears' rating under review for a possible downgrade following the company's offer for Grattan, writes Simon London.

The review will look at the consequences of a successful acquisition on Sears' financial leverage and cash flow.

Moody's said that possible bidding competition with Otto Versand "could cause the acquisition price to rise, thus exceeding the contribution that Grattan could make to Sears' earnings."

Sears' long-term debt securities, totalling £140m, are currently rated A2 by Moody's.

Receivers appointed at Pavilion Leisure

By Jane Fuller

RECEIVERS are being called in at Pavilion Leisure, the property and hotels group which has put two subsidiaries into liquidation.

The company announced yesterday that its principal banker, the Co-operative Bank, had withdrawn support. By last April, Pavilion's debts had mounted to £40m and the current position is believed to be nearer £45m with roughly 80 per cent owed to the Co-op.

The last annual accounts, for the year to October 31 1989, showed £38m of borrowings secured on group properties. One of the loans, for £3.4m, was originally supposed to be repayable on Tuesday.

Bankers met the Pavilion board yesterday morning. The shares were suspended at 7p, and less than three hours later the decision to appoint receivers was announced.

The group slipped to a pre-tax loss of £2.25m in the six months to April 30 1990. This included losses of £1.6m on the disposal of commercial property. A big question hanging over the long-awaited full-year results was the size of the write-down on the commercial property portfolio.

Another hole was made by the Clifford Barnett subsidiary, which built and managed leisure centres. Signs of trouble emerged a month ago when a sub-contractor stopped work on a "beach pool" in Bedford.

The decision to liquidate Clifford Barnett and a small related subsidiary was taken soon afterwards and, by coincidence, an EGM and creditors' meetings were held yesterday.

The failures mark the end of a strenuous attempt to revive Pavilion by Mr Peter Eyles, who was appointed chairman and chief executive in September. By then the share price had slid to 15p from 227p in April 1989.

Mr Eyles, who left the Norfolk Capital Hotel group last year after the Queens Moat Houses takeover, wanted to build up a chain of luxury hotels at Pavilion, which already had the Select Country chain.

The Select hotels came into the group in July 1989, when Pavilion mounted a £57m reverse takeover of Parkdale Holdings.

Mr Eyles made it clear last September that the group needed refinancing and he called in KPMG Peat Marwick McLintock to make a report.

Markheath sells most of its Frogmore stake

By Daniel Green

MARKHEATH has arranged for the sale of most of its 23 per cent holding in another property company, Frogmore Estates, in three put and call options.

A maximum of 8m of Markheath's 9.24m share stake could be sold to De Zoete and Bevan, part of BZW, the securities house.

Up to 4m shares may be sold at 291p in a put option exercisable between March 22 and April 4. In addition, De Zoete has two call options for up to 4m shares each at 315p and 323p. These options are exercisable at any time between now and April 30. The size of the more expensive of the options would be reduced to prevent the number of shares sold exceeding 8m.

The maximum consideration is £25.52m, which would give a book loss of £10m. Markheath paid an average of 470p a share over the past two years.

During the period of the call option, Markheath has undertaken not to dispose of any Frogmore shares except in relation to the options.

Ferrari Holdings shares are suspended at 5p

By Maggie Urry

FERRARI HOLDINGS, the USM-quoted computer services group, yesterday had its shares suspended at 5p, "pending clarification of the company's financial position". The company said it could not make any further comment.

In January the group had been discussing a merger with Touchstone, another computer services group, but these were broken off when Stratagem, an investment company, launched a bid for Touchstone itself.

Ferrari's next move had been to consider a rights issue but this idea was dropped last month when holders of some classes of its shares said the terms were unacceptable. The group's shares were trading well below their par value, making a rights issue difficult.

Ferrari came to the market via a reverse takeover of Cifer, an electronics company, early in 1989. Pre-tax profit was £1.4m in the 15 months to the end of 1989, but there was a loss of £390,000 for the first half of 1990. Ferrari paid neither the interim nor the preference dividend due last October.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.03.91: Pool purchase price £/MWh	Final Prices for Trading on 07.02.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.95	13.43	13.43
0100	17.07	16.75	18.01
0130	18.72	29.57	31.09
0200	18.72	29.57	31.04
0230	17.69	29.57	31.01
0300	16.93	29.57	31.07
0330	15.42	19.38	20.69
0400	15.21	16.94	18.20
0430	14.82	14.19	14.19
0500	14.69	13.43	13.43
0530	15.02	13.62	13.62
0600	15.17	13.62	13.62
0630	15.78	16.37	17.62
0700	18.21	19.23	20.54
0730	18.61	25.67	27.37
0800	19.24	33.64	35.30
0830	19.70	33.66	35.25
0900	20.32	33.71	35.33
0930	24.23	25.98	27.43
1000	24.23	25.98	27.40
1030	24.23	25.93	27.34
1100	24.23	25.90	27.32
1130	20.82	25.90	27.33
1200	20.82	25.90	27.34
1230	20.82	25.88	27.33
1300	20.32	25.87	27.33
1330	19.48	24.34	25.79
1400	19.48	24.34	25.77
1430	19.48	24.34	25.77
1500	19.48	24.34	25.77
1530	19.48	24.34	25.77
1600	19.48	24.34	25.78
1630	19.48	24.35	25.75
1700	19.48	24.98	26.51
1730	20.88	28.96	30.61
1800	20.88	38.91	41.08
1830	27.13	38.51	40.60
1900	27.13	37.11	38.95
1930	27.13	27.15	28.58
2000	27.13	26.92	28.33
2030	24.32	24.34	25.72
2100	19.97	24.34	25.74
2130	18.83	22.37	23.75
2200	18.83	21.62	22.98
2230	16.87	19.35	20.67
2300	15.75	14.75	14.78
2330	15.09	13.40	13.40
2400	14.89	13.25	13.25

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.98/MWh becomes 1.698p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

TKM bucks trend with 22% rise

By John Griffiths

RECORD PRE-TAX profits were achieved last year by Tozer Kemsley & Millbourn (Holdings), the UK-headquartered motor distribution group now wholly owned by Sir Ron Brierley's Industrial Equity (Pacific) investment vehicle.

This was in spite of a slump in the UK car market on which it is still strongly dependent.

The taxable profits of £64.14m for the year to December 31 were 22 per cent higher on turnover up only 7 per cent to £1.14bn (£1.07bn).

The company has a number of motor trade activities in the UK, including the Wadham Kenning, Wadham Stringer, and Cooper motor retailing groups as well as Daihatsu, Ferrari, Lada and Proton import concessions.

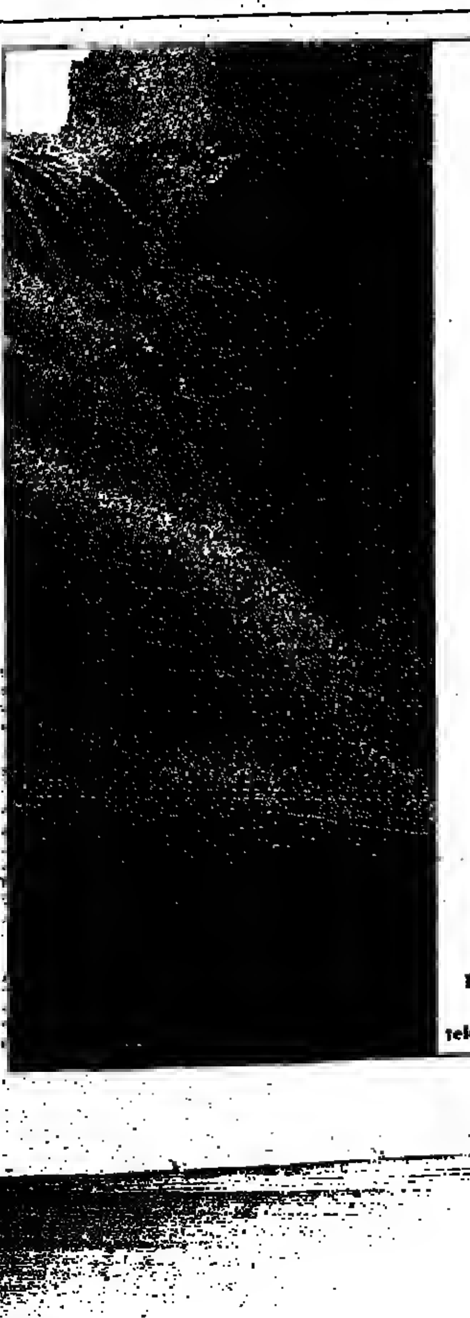
The sharpest profits growth, however, came from relatively recent acquisitions in the Far East and, particularly, Australia, where TKM now distributes Volkswagen, Audi and Subaru cars.

Pre-tax profits from the region more than doubled to £17.63m (£7.79m).

Earnings per share rose to 17.4p (14.8p basic and 14.5p fully diluted.

Extraordinary charges of £1.53m were incurred in disposing of former tyre interests in the US, closing the group's John Bull tyre remould operations, and some Kenning Tyre Services outlets in the UK.

● IEP said yesterday it had reduced its interest in Vaux, the brewing group, to less than 3 per cent. It first acquired Vaux shares last year, with its stake peaking at 3.8 per cent.



UK COMPANY NEWS

Profits cut 20% by fall in car sales and construction downturn

GKN makes £215m but 1,000 more jobs to go

By John Griffiths and Maggie Urry

GKN, the automotive and industrial services group, yesterday reported pre-tax profits down 19.9 per cant, from £214.8m to £172m in 1990. It suffered as car sales fell sharply in the UK and other key markets, and as conditions deteriorated in the construction industry, the company's other important customer.

There was a 31.7 per cent fall in second half pre-tax profits to £71.5m, after an 8.7 per cent, first half decline to £100.5m.

Mr David Lees, chairman, warned thet trading conditions "have weakened further in the early weeks of this year".

He said thet at least another 1,000 redundancies are in prospect over the next 12 months.

Although the pre-tax figure was below market expectations, a tentative belief that some recovery may be in prospect helped GKN's shares to close 11p higher at 390p last night.

For the year group turnover fell 3.3 per cent to £2.6bn, and pre-interest profits were 16.6 per cent down at £207.2m. This includes profits from associates, notably Westland and Chep in Europe, rose marginally, to £57.9m (£56.5m).

Trading profits from automotive and other engineering products fell to £90m (£117m), mainly as a result of lower demand from vehicle makers in North America and most European markets except Germany. This caused inefficiencies and disruption to production.

The industrial services and distribution division suffered a similar proportionate fall, from £75m to £59m, in trading profits, mainly as a result of deteriorating construction markets in the UK, US and Australia. However, the group's Chep pallet business performed well.

The interest charge was £35.2m (£33.6m), although net borrowings fell from £297m to £220m, 32.3 per cent (44.6 per cent) of shareholders funds. Profits benefited from gains on property sales of £5.4m (2.7m) and a pension fund credit of £5.5m (nil). But redundancy costs were up at £12.7m (8.8m) as about 1,250 jobs were shed.

After a 35 per cent tax rate, earnings per share were 27.8 per cant lower at 36.1p. Extraordinary charges rose sharply to £48.8m (£5.8m) mainly representing the cost of closing the Brymbo Steel Works plant of United Engineering Steels, in which GKN has a nearly 40 per cent stake. That left a retained loss of £6.5m (profit £72.5m).

There was a £12.8m cash outflow for the year.

An unchanged 12.5p final dividend lifted the total for the year to 20.5p, up 0.5p on 1989.

● **COMMENT**

GKN's second half performance shows just how savagely weak demand can translate into lower profits. On the automotive side trading margins of 7.5 per cent in the first half slumped to 4.8 per cent in the second. This makes forecasting current year profits particularly difficult until there is a clearer idea of when the looked for recovery in activity will appear. A rule-of-thumb doubling of the second half figure suggests pre-tax profits could turn out above £140m, giving an overblown p/e of about 14. But the risk on that forecast is on the downside, and the profit figure could come in £20m lower. At that level a maintained dividend – which the chairman has virtually promised – would be barely covered and would give a yield of 7 per cent. That seems to be taking recovery too seriously at this stage, especially as it will probably take years, not months, for GKN to return to its 1989 level of profits.

A curate's creme egg from Cadbury Schweppes

By Clay Harris, Consumer Industries Editor

CADBURY SCHWEPPES sold a record 450,000 tonnes of confectionery and 7bn litres of beverages last year. It improved its worldwide margins in both businesses as it increased trading profits by 23 per cent to £333.9m.

On closer examination, however, the group's 1990 results resembled a curate's creme egg – only good in parts.

In the UK, market leadership in soft drinks and chocolate and sugar confectionery allowed trading profits to power ahead by 48 per cent to £148.5m. But in the rest of the world put together, profits rose by only 7.5 per cent to £185.4m.

The results outside the UK looked no better broken down further. The £12m increase was achieved only because the £30m net benefit of acquisitions offset a £10m reduction in activity and an £8m unfavourable shift on currencies.

In continental Europe, Cadbury reported a disappointing result from Poulain, the French confectionery group, but good progress from Hueso in Spain and Faam Frisia in the Netherlands. Acquisitions helped Schweppes lift its share of the French soft drinks market above 17 per cent.

In the UK, Cadbury increased its chocolate confectionery share to more than 27 per cent by volume and 30 per cent by value. So far this year, sales of Easter confectionery, including a trial "midi" creme egg, were on target.

Trebor Bassett achieved trading margins of 10 per cent, although restructuring within the UK cost £22m.

Ashley Ashwood

Dominic Cadbury, chief executive of Cadbury Schweppes.

RESULTS BY REGION 1990 (£m)	Turnover	% change	Trading profit	% change
UK	1476.0	+17	148.5	+48
Europe	638.0	+33	66.6	+16
Americas	403.7	+8	43.3	+15
Pacific Rim	495.5	−5	59.5	−4
Africa & others	132.9	+10	15.5	+3
Total	3146.1	+13	333.9	+23

Crush, tha US-based soft drinks group, made a positive contribution to results in its first full year in the group.

Cadbury reported a net cash inflow of £20m, compared with an outflow of £418m in 1989. Mr David Jinks, finance director, predicted a "broadly neutral" cash position in 1991.

Borrowings fell by £60m to £364m during 1990, although currancy movements accounted for £40m of the improvement.

The company spent £325m (£297m) on marketing and £213m (£200m) on capital expenditure.

See Lex

£28m cash call at Heywood as profits decline 26% to £23m

By Andrew Taylor, Construction Correspondent

HEYWOOD WILLIAMS, the UK's largest glass distributor, is to raise about £28.3m from a 2-for-9 rights issua priced at 245p.

The group's share price fell 9p to 311p yesterday after rising 22p the previous day.

Heywood Williams also announced a 26 per cent fall in pre-tax profits to £23.1m (£31.03m) in 1990. Earnings per share, fully dilnted, fell by 9p to 23.8p.

However the final dividend was maintained at 8p leaving the total unchanged at 12.5p.

Mr Ralph Hinchliffe, chairman, said the proceeds of the rights issue would initially be used to wipe out the group's borrowings. At tha end of last year it had net debt of £21m, equivalent to about 29 per cent of shareholders' funds.

The UK accounts for 85 per cent of group turnover which rose from £306.11m to £331.49m. Almost half of UK turnover is accounted for by replacement windows for housing. Most of the rest is for office refurbishment, repair, and new residential and commercial huilding.

Only 12 per cent of UK sales are not spoken for by the building industry and are for car windows.

Mr Hinchliffe said the group had suffered as a result of the downturn in the UK building industry and from cut-price imports of glass from the US which had undermined prices in the UK. Prices on average had declined 10 per cent during the past 12 months.

Sales of glass to the US automotive industry had been affected by the economic recession in the US during the second half of last year.

Mr Hinchliffe warned that results in the first half of the current year would be disappointing with the UK and US still in recession and with poor weather restricting hnilding work in the UK during January and February. It was too early to say whether lower interest rates would prompt a recovery in the second half of the year, he added.

● **COMMENT**

The announcement of the rights issue was generally well received by the stock market. A discount of 21 per cent, even after yesterday's fall, should ensure success and the company reported that sub-underwriting was going well. Moves to rednce debts make sense and mean that the decks are clear for the company to take full advantage of recovery when it occurs. Double glazing sales and house repair and maintenance should be one of the first heneficiaries of an npturn. Heywood should see an improvement in the second half. Interest on the proceeds of the rights issue should also inflate profits by about £2m over nine months. Profit forecasts range from £22m to £26m depending on what view is taken on the timing and extent of recovery.

Adam & Co halved to £221,000

Adam & Co, the Edinburgh-based private bank, saw first-half pre-tax profits halved to £221,000 because of recession and high interest rates.

Operating profits were £244,000 (£465,000) in tha six months to December 31.

Sir Charles Fraser, the chairman, said tha result would have been £15,000 higher bnt for mistaken funding decisions taken in 1989 in anticipation of falling interest rates.

Reebok share sale cuts Pentland 23% to £55m

By Michiyo Nakamoto

PENTLAND Group, the consnmer goods company which recently acquired the Speedo international swimweer business, yesterday reported a 23 per cent fall in pre-tax profits for 1990.

A loss of earnings from Fleetfoot, the UK distributor of Reebok products, the weak dollar and higher interest charges all took their toll.

Profits for the 12 months fell from £71.45m to £55.26m in spite of a rise in turnover to £743.46m (£702.52m). The sale of its 50 per cent staka in Fleetfoot to Reebok in December 1989 meant there was no contribution from Fleetfoot to the 1990 results. Pentland is selling part of its 31.6 per cent stake in Reebok back to the US sports shoe company.

Earnings per share fell to 9.42p (11.81p) bnt the recommended final dividend is 0.4375p, giving a total for the year of 0.75p – an increase of 25 per cent.

Operating profit declined to £10.04m (£15.12m). However, excluding Fleetfoot's £6.5m 1989 contribution the figure showed a 17 per cent improvement.

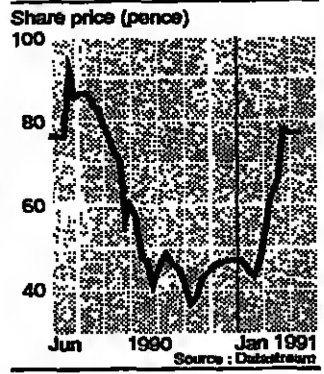
The interest charge rose to £7.92m (£414,000), largely reflecting a capital restructuring in 1989 involving a reverse takeover by Bertram Investment Trust.

Borrowings at the year-end stood at just under £30m, or 20 per cent of shareholders' funds.

Mr Stephen Rubin, chairman, said that the company would be well positioned to take advantage of acquisition opportunities following the reduction in its Reebok stake, which would significantly increase the company's cash flow.

It will receive $396.1m by cutting its stake from 31.6 per cent to 13 per cent. It was interested particularly in acquiring clothing and footwear companies.

Pentland



Source: Datastream

Return to roots aids Wm Sinclair

By Michiyo Nakamoto

UNLIKE MOST companies, William Sinclair Holdings, the supplier of garden leisure prodncts, benefited from the economic slowdown. Pre-tax profits in the half year to December 31 rose 22 per cent from £1.45m to £1.77m as the market for small garden products rose 14 per cent last year.

Record sales were achieved in both the garden leisure and the professional grower business in the late summer months and turnover rose to £14.88m (£12.59m).

People did not stop tending their gardens as a result of the adverse economic climate, the company said. On the contrary, some people turned to their gardens in preference to more costly leisure activities. Slow house sales encouraged others to improve their gardens.

Although business was hurt by slower sales in the autumn, Mr Tom Sinclair, chairman, said the season was beginning to gather momentum.

The pet treats business, entered last year via the acquisition of two suppliers, had not contributed yet.

Earnings per share (adjusted to reflect the rights issue in November) rose 17 per cent to 6.8p (5.8p). The interim dividend was 1.6p (1.45p).

While gardening products will remain the core business, in the medium-term the company aims for the pet treats business to contribute 20 to 25 per cent to turnover and profits.

UK COMPANY NEWS

CRH bucks trend with 9% advance to I£87.6m

By Andrew Taylor, Construction Correspondent

VERY FEW building materials companies quoted on the London Stock Exchange will produce better results for 1990 than CRH.

The Irish group announced yesterday that pre-tax profits last year had increased by 9 per cent to I£87.6m (£80.1m).

Sixty per cent of profits came from Britain, continental Europe and the US, said Mr Tony Barry, chief executive.

He warned, however, that the group was likely to mark time in the current financial year. Ha said trading conditions would remain difficult. Slower growth in construction output was forecast in Ireland, Holland, Germany and Spain. There was also unlikely to be any significant recovery in the UK and US.

Mr Barry said profits last year had risen sharply in Ireland, Holland, Spain and Germany, offsetting falls in UK and US construction output.

As a result earnings per share, fully diluted, had risen by 10 per cent from 21.6p to 23.8p. Total dividends for 1990 had increased by 14 per cent to 6p. Dividends were covered four times by earnings, he said.

Profits in the Republic of Ireland rose by 39 per cent last year to £42.58m as spending on construction increased on the back of strong growth in the Irish economy.

In continental Europe profits rose by 23 per cent to £31.03m with increases achieved in both Holland and Spain. By contrast, profits in Britain and Northern Ireland fell by a fifth to I£15.35m. Profits in the US fell by 9 per cent to £19.12m.

Adverse currency movements, dus to the weakness of the dollar, had reduced group profits by I£2.3m, said CRH. In the UK the company had axed about 400 jobs at its Keyline builders merchants business as part of a series of moves to cut costs following the purchase last year of Coalite Building Supplies.

The group's balance sheet remains strong with net debt at the year-end reduced to I£88.5m, equivalent to 14 per cent of shareholders funds. This compared with net debt of I£123.6m and gearing of 33 per cent last year.

● COMMENT

Building material companies will find it very difficult to match CRH's results for last year. More worrying are the company's comments about prospects for the current year. The first half in the UK and US is likely to have been dreadful and it will take time for any significant recovery to arise in these markets. Moreover, the growth markets of Ireland and continental Europe are slowing and are unlikely to provide as much of a cushion this year. A significant improvement in the UK housing market will take time to work through, even if sales start to pick up this Spring. The commercial market meanwhile is likely to remain deeply depressed in spite of recent falls in interest rates. All of which suggests that the recent recovery in British construction and building material stocks has been overdone. CRH nonetheless has the capability to maintain profits at about, or just under, last year's level. This would put it on a prospective p/e of 11, which looks cheap given some of the recent the share price increases achieved by rival British companies.

Lower loss and £2.7m sale at Star Computer

By Alan Cane

STAR COMPUTER Group, which has performed erratically over the past few years, recorded a loss of £253,000 in the six months to December 31, but claimed the results were in line with budget and indicated that the group was making a steady recovery.

In the previous first half the group recorded a loss of £436,000, and for the whole year the loss was £1.6m.

Turnover in the latest period rose to £8.04m, compared with £6.39m. The loss per share was reduced from 9.5p to 3.7p.

Yesterday the group also revealed that it had sold its computer hardware maintenance business to Misys for £2.7m. It has been disposing of or closing parts of the business to improve the balance sheet and focus on its principal systems companies, Star Computers and Pinnacle Computer Services. Its chief activity is the provision of multi-user computer systems for accountants.

The maintenance arm has income of about £3m a year through contracts with some 780 customers. Plans for a management buy-out were abandoned in favour of Misys.

Misys, a computing services group which has been growing aggressively through acquisition, has itself seen a sharp fall in first-half sales and pre-tax profits as customers defer spending decisions.

It will finance the acquisition through the issue of 3.03m new ordinary shares at 89p. The issue has been underwritten by Baring Brothers.

Parkfield Castings

Parkfield Castings management buy-out from the receivers for an undisclosed sum has been completed. The company will become known as Horwich Castings.

Sowing the seeds for organic growth

Clive Cookson on Richard Oster's plans for the future of Cookson

THE LATEST recruit to the select group of Americans running large British companies is Mr Richard Oster, appointed recently as group managing director of Cookson.

His job is to put the industrial materials company back on a stable non-acquisitive growth path, after the most traumatic year in its 280-year history.

Cookson came close to disaster last autumn after over-extending itself financially to fund an aggressive acquisition programme – with which Mr Oster was closely involved as president of the group's US division.

"It is no longer fair to refer to us as the 'debt-laden' Cookson group," says Mr Oster. "The perceived problem with the balance sheet last year is over."

He says that Cookson's gearing is now down to the 50 to 65 per level, depending on whether the company's convertible preference shares are treated as equity or debt.

It reached an "unacceptable" 105 to 110 per cent late last year, before the sale of Cookson's half share of Tioxide, the pigments manufacturer, to ICI for £160m, and the sale of Cookson Graphic Arts to International Paper for £110m.

The disposals have cut Cookson's turnover from about £2bn to £1.5bn a year – and increased the proportion of sales in the US to 50 per cent. In 1989, the continuing businesses in metals, ceramics and plastics had an operating profit of £130m.

Mr Oster cannot anticipate the 1990 results – due to be announced on March 21 – but he says the company is trading well under recessionary conditions.

"The core businesses of the group are moving ahead at a higher level than previous years. When the upturn comes, we'll be the first company in there supplying all the necessary materials and components."

Looking further ahead, Mr Oster is convinced that Cookson can grow organically at more than 10 per cent a year, without making acquisitions.

Richard Oster – reviewing all Cookson's operations

But he does not rule out "selected acquisitions, subject to the board's view on gearing and the availability of finance at the time. Once bitten, we're going to be cautious about getting heavily into debt again."

Although Mr Oster is new to London's business community – his entire career so far has been based in Providence, Rhode Island – he is far from being a newcomer to Cookson. He has been with the group since 1976 when it bought AJ Oster, thefamily metals company founded by his father.

Mr Oster joined the Cookson board in 1980 and masterminded the rapid expansion of the US business during the 1980s. He has been involved personally in at least half of Cookson's acquisitions.

Looking back, he admits that the group made several mistakes in the way it pursued that expansion.

"Obviously we got our timing wrong," he says. "We planned to sell the Graphic Arts companies during the early part of 1990 to fund the [$95m] acquisition of Flo-Con. We started talking to a number of parties. But it proved more difficult than expected, not least because of the deterioration in the general economic climate."

From the management point of view, another mistake was to be too aggressive in buying a large number of small companies during the late 1980s.

"Although they are proving to be excellent businesses, it put a terrible strain on management to manage so many companies," Mr Oster says.

A very different management style will be required now that Cookson has switched emphasis from acquisitive growth to developing core businesses.

Mr Oster is reviewing all Cookson operations to look for ways to boost productivity and cut costs. "We're going to have to slim down and watch every single penny in every operation," he says. A reduction in the workforce of 15,000 seems inevitable, although Mr Oster says it is too soon to discuss job losses.

Mr Oster is a chubby and expansive American, given to folksy sayings such as "Winning isn't everything – it's the only thing" (which he attributes to Vince Lombardi, the famous American football coach).

Quite apart from his Cookson responsibilities, Mr Oster's curriculum vitae lists an astonishing 29 business, social, charitable and educational organisations of which he is a director, trustee or member, ranging from the Federal Reserve Bank of Boston and Providence Jewish Home for the Aged to Newport International Jumping Derby and Providence Jewelsrs Club.

He presents a strong personal contrast to Mr Ian Butler, the lean and reserved former Guards officer who was chairman of Cookson from 1976 until May 1990 – and returned as chairman last November after the resignation of his successor, Mr Michael Henderson.

Mr Oster cannot resist using phrases such as "creating a Cookson culture", although he knows they make his chairman squirm.

Mr Butler is keen to retire again and the Cookson board is now searching for a new part-time chairman, with help from a firm of head-hunters. An appointment is likely within two or three months.

One of the most important qualifications for the new chairman is that he or she must be well respected in the City.

As Mr Andrew Mitchell and Mr Bruce Davidson, of Smith New Court, point out in a new report on Cookson, "in terms of market perception the internal movement of managers may be viewed with reservation, given the financial straits into which the group had steered itself. The appointment of a strong and independent chairman will therefore be vital."

NEWS DIGEST

Stat-Plus up 7% on flat sales

STAT-PLUS Group, the office and legal stationery retailer, managed to lift pre-tax profits by 7 per cent in the year to December 31, though sales remained stationary at £11.88m.

Operating profits declined by £78,000 to £3.87m but the taxable figure was increased to £5.71m (£5.32m) by a £468,000 riss in interest incoms to £1.84m. Earnings improved 1p to 17.2p and the final dividend is a recommended 3.5p for a total of 6.25p – an increase of 14 per cent.

Mr Derek Bird, chairman, said that 1990 had shown "no improvement in the level of activity in the home buying market, ons of our key business areas". He added that the second half had seen a "significant reduction in the level of company work undertaken by lawyers in respect of commercial conveyancing, mergers and acquisitions".

He believed that difficult trading conditions should be expected in the first half of 1991, with gradual improvement thereafter.

Mr Bird was pleased with the "fine shape" and "strong market position" of the company. Cash resources at the year-end totalled nearly £12m.

3% increase to £6.2m at Close Bros

Close Brothers, the small City merchant banking and investment group, yesterday reported pre-tax profits of £6.22m for the six months to January 31, up 3 per cent from the £6.05m achievsd in the comparable pariod. The directors have increased the interim dividend to 2.8p (2.6p) on earnings per share of 10.23p (9.64p).

They said that all of the different profit centres had made progress. The property division had a profitable six months and reduced exposures from £5.2m to £2.3m. However, the second mortgage business, which accounts for only 4 per cent of ths loan portfolio, was not profitable.

Net assets decline at City & Commercial

City & Commercial Investment Trust reported that net assets per capital share had fallen from £17.13 to £13.26 at the year to end-December.

Net revenue in the period rose from £2.52m to £3.1m and earnings per income share rose from 7.75p to 9.2p, which was distributed by way of dividend.

Galliford slips 11% to £3.6m

Galliford, the Midlands-based construction group, returned profits of £3.61m pre-tax for the six months to end-December, an 11 per cent downturn on last time's £4.07m.

Turnover expanded from £97.07m to £116.33m. A same-again interim dividend of 0.95p is being paid from earnings of 2.72p (3.47p) per share. The directors expect to at least maintain the final at last year's 3.3p level.

John Haggas reveals 27% profits fall

John Haggas, the West Yorkshire-based worsted spinner, yesterday unveiled a 27 per cent fall in pre-tax profits to £355,000 for the six months to end-December.

On the manufacturing side, profits fell to £494,000 (£916,000) while losses in retailing were cut to £139,000 (£429,000). Earnings per share slipped to 1.06p (1.45p) and, in order to conserve cash, the interim dividend is being omitted – 1p was paid previously.

Turnover declined from £17.59m to £15.58m. The directors warned that trading conditions were continuing to be difficult in all areas.

For the 12 months to June 1990, pre-tax profits more than halved to £733,000 and the final dividend was halved to 1p making a 2p (3p) total.

Instem advances to top £1m mark

Profits of Instem, the electronics and information gronp traded on the USM, rose from £885,000 to £1.01m pre-tax for the year to December 28. Turnover advanced 39 per cent to £11.15m.

Margins were slightly lower, a situation the directors expect to continue through the current year.

Earnings totalled 14p (12.9p) and a proposed final dividend of 1.65p makes a 2.85p (2.5p) total.

Bromsgrove cuts ties with financial sector

Bromsgrove Industries, the engineering group, completed its withdrawal from the financial sector when it announced yesterday the sale of three companies – Neville Group, Neville Life & Pensions and BRI – for a total of £742,000.

The proceeds from the sale of its financial service companies, most of which came in during 1990, amount to £4.68m. The group intends to concentrate on its core specialist sngineering companies.

PUBLIC WORKS LOAN BOARD RATES

Effective March 6

Years	Quota loans repaid: by EPP†	Quota loans repaid: A††	Quota loans repaid: at maturity§	Non-quota loans A* repaid: by EPP†	Non-quota loans A* repaid: A††	Non-quota loans A* repaid: at maturity§
1			$11\frac{3}{4}$			$12\frac{1}{2}$
Over 1 up to 2	$11\frac{5}{8}$	$11\frac{1}{2}$	$11\frac{1}{8}$	$12\frac{5}{8}$	$12\frac{1}{2}$	$11\frac{7}{8}$
Over 2 up to 3	$11\frac{1}{4}$	$11\frac{1}{4}$	$10\frac{7}{8}$	$12\frac{1}{4}$	$12\frac{1}{4}$	$11\frac{5}{8}$
Over 3 up to 4	11	11	$10\frac{7}{8}$	12	12	$11\frac{5}{8}$
Over 4 up to 5	$10\frac{7}{8}$	$10\frac{7}{8}$	$10\frac{7}{8}$	$11\frac{7}{8}$	$11\frac{7}{8}$	$11\frac{5}{8}$
Over 5 up to 6	$10\frac{7}{8}$	$10\frac{7}{8}$	11	$11\frac{3}{8}$	$11\frac{3}{8}$	$11\frac{1}{2}$
Over 6 up to 7	$10\frac{7}{8}$	$10\frac{7}{8}$	$11\frac{1}{8}$	$11\frac{3}{8}$	$11\frac{3}{8}$	$11\frac{5}{8}$
Over 7 up to 8	$10\frac{7}{8}$	$10\frac{7}{8}$	$11\frac{1}{4}$	$11\frac{3}{8}$	$11\frac{3}{8}$	$11\frac{3}{4}$
Over 8 up to 9	$10\frac{7}{8}$	11	$11\frac{1}{4}$	$11\frac{3}{8}$	$11\frac{1}{2}$	$11\frac{3}{4}$
Over 9 up to 10	11	$11\frac{1}{8}$	$11\frac{3}{8}$	$11\frac{1}{2}$	$11\frac{5}{8}$	$11\frac{7}{8}$
Over 10 up to 15	$11\frac{1}{4}$	$11\frac{5}{8}$	$11\frac{1}{4}$	$11\frac{3}{4}$	$11\frac{7}{8}$	$11\frac{3}{4}$
Over 15 up to 25	$11\frac{3}{8}$	$11\frac{1}{8}$	$11\frac{1}{8}$	$11\frac{7}{8}$	$11\frac{5}{8}$	$11\frac{5}{8}$
Over 25	$11\frac{1}{8}$	11	11	$11\frac{5}{8}$	$11\frac{1}{2}$	$11\frac{1}{2}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Fairey improves 16% to £14.6m

By Clare Pearson

A THREE-fold increase in net interest income combined with improved margins in the electronics and aerospace and defence divisions enabled Fairey, the diversified engineering group, to push pre-tax profits 16 per cent higher in the year to December 31.

The advance, from £12.53m to £14.56m, was achieved on an increase in sales from £83.16m to £86.03m. At the operating level, the rise was restricted to 8 per cent.

After a tax charge two percentage points higher at 37 per cent, earnings per share rose to 27.6p (24.7p). A final dividend of 5.5p (5p) makes an 8.25p (7.4p) total.

Net interest receivable rose to £1.59m (£520,000). The group said it had reached the year-end with funds of £12.1m resulting from a positive cash flow of £5.5m.

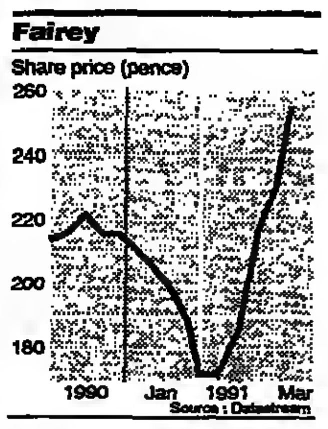
Mr Derek Kingsbury, chairman, said the company hoped to make a sizeable acquisition this year although the target had not been defined. "Given our resources, it is almost inevitable that we will find something substantial this year," he said.

Currency hedging at a rate of $1.60 to the pound meant profits of Red Lion, the US digital indicator manufacturer, were protected from the weakening US dollar. For the current year, hedging has been put in place at $1.85.

The electronics and electrical power division chipped in operating profits of £7.15m (£6.25m) on sales of £31.17m (£30.57m). On the aerospace and defence side, there was an increase in operating profits to £2.26m (£1.46m) on sales of £29.09m (£25.32m). That marked a recovery from 1989, a year of rationalisations to adjust to the running down of the primary building stage of the Tornado programme, which is due to finish this year.

During 1991, Fairey will incur the costs of moving out of its Heston factory – although sale of the site will in due course generate a profit.

The Gulf war, which put out of business Fairey's main Middle East agent for water filters, hit the filtration and specialised ceramics division where operating profits fell to £3.56m (£4.31m) on sales of £25.77m (£27.27m), after a very strong performance in 1989.



● COMMENT

Caught up in yesterday's stock market euphoria, Fairey's tightly-held shares were chased 23p higher to 254p, which looks quite a demanding level. The company has evident attractions: it boasts a sizeable cash pile and a spread of operations which, apart from some areas such as parts of the filtration business, is not the kind of thing that gets hit in difficult economic times. This year Fairey faces three main problems: it has hedged at a less favourable dollar rate, it is facing weakness in the water filter market and demand from civil aviation customers is down. Nevertheless, if it manages only same-again pre-tax profits and earnings per share it will outperform its sector. The shares are certainly good quality items but would be more attractive at weaker levels. Currently the prospective p/e is 9.3.

Audio strength helps Pickwick to £6.9m

By David Owen

PICKWICK GROUP, the audio and video entertainment company 20 per cent owned by Pearson, publisher of the Financial Times, has reported a 57 per cent advance in pre-tax profits buoyed by particularly strong growth in its CD, cassette and record operations.

The audio side accounted for about 60 per cent of operating profits, versus 50 per cent in 1989, Pickwick said. Turnover – a quarter of which was derived overseas – was split approximately 50:50 between audio and video lines.

Taxable profits for the year to December 31 climbed to £6.92m (£4.4m) on turnover ahead 40 per cent to £74.51m (£53.31m).

Earnings per share were up 34 per cent at 16.5p (12.3p) and a final dividend of 3.7p (3p) was recommended, making a total of 5.35p (4.25p).

Despite its encouraging performance, the group expressed caution as to the immediate outlook, saying that it was "extremely difficult" to forecast its rate of growth in the short term.

Mr Ivor Schlosberg, chairman, said that Pickwick was finding that "the discretionary purchasing power of the high street buyer has been decimated."

"Come what may, we will maintain our existing profit base," he said.

Mr Schlosberg added that the group had benefited during the key Christmas period from its ability to channel low-priced products through its distribution network.

Buyers who found that their pockets would not stretch to a £9.99 video regarded "a Neil Diamond CD at £5.99" as a good alternative, he said.

The group succeeded in reducing its gearing and borrowings substantially during the year, although interest costs rose to £1.1m (£747,000) since the bulk of the reduction came late in the period.

The year-end debt level weighed in at £2.9m, producing gearing of 19 per cent. This was after writing off goodwill of between £10m and £11m.

Mr Schlosberg attributed this better-than-expected situation to "effective financial management". "We generated a substantial amount of sales in October and November and managed to collect the proceeds before the end of the year," he said.

Just over 20 per cent of the 8.9m videos distributed by the group were self-produced, with the aim being to lift this to about 33 per cent in the current year. Own-product videos usually generate higher margins, compensating for the greater risk attached.

The shares, which have been affected by the pall which has been hanging over the video sector in general, rose 5p to 243p.

British Steel and Swedes plan venture

By Charles Leadbeater, Industrial Editor

BRITISH STEEL is in the early stages of talks with Svenskt Stal, the Swedish state-owned steel producer, to create a joint venture to pool their specialist steels businesses, used mainly in the electricity industry.

The venture would create one of the largest electrical steels producers in Europe, bringing together Svenskt Stal's plant at Surahammar which produces about 75,000 tonnes a year and British Steel's South Wales production of about 150,000 tonnes.

British Steel said the discussions were likely to come to a head in the second half of the year.

The aim was to allow the two plants to specialise in the production of different grades of electrical steels. British Steel would have majority control of the venture, which would have annual turnover of more than £100m.

The discussions are part of British Steel's strategy to expand in continental Europe.

They follow a series of moves to rationalise the European specialist steels industry, including the merger of Falck and Ilva's specialist steel activities in Italy and the merger of Uddeholm the Swedish tooling steel maker and Bohler, a subsidiary of Voest-Alpine Stahl.

Yearling Bonds

The interest rate for this week's issue of local authority bonds is $11\frac{1}{16}$ per cent, down $1\frac{1}{16}$ of a percentage point from the last issue five weeks ago. There is no comparative.

Richard Brewster to leave David Smith for Jarvis Porter

By John Thornhill

MR RICHARD Brewster, the chief executive of David S Smith (Holdings), who has led the paper and packaging company during eight years of dynamic growth, startled the City yesterday by announcing that he was leaving the post to become chief executive of Jarvis Porter Group, the specialist label printer.

Mr Brewster, an accountant by training, said he wanted a fresh challenge and believed Jarvis Porter had the structure and ambition to develop into a substantially larger force.

"It is very satisfying to see what we have achieved at David Smith, but in a way, as a company gets bigger, one becomes further removed from the day-to-day decision-making. The more organised you are the less involved you are," he said.

"I would have to be a fairly dull person to resist the challenges of Jarvis Porter."

During Mr Brewster's tenure as chief executive, David Smith's market value increased from £2.5m to £220m, largely by means of acquisition.

Its future, however, now rests largely on organic development, in particular at the Kemsley Mill, in Kent.

Mr Brewster will remain as a non-executive director of the company. David Smith said it was close to appointing a successor, probably from within the paper and packaging industry, in keeping with the strategy of developing mainly by organic means.

Mr Alan Clements, the former finance director of ICI who became non-executive chairman of David Smith earlier this year, said he was sad to see Mr Brewster leave, but pleased that he would retain his links with the company.

Jarvis Porter is hoping that Mr Brewster can perform similar expansionary feats at the company, where he has been a non-executive director since last May.

Mr Brewster has been granted an option to buy almost 1m shares in Jarvis Porter at 87p each. This option, which will give him up to 10 per cent of the equity, is exercisable within seven years, but not before 1994.

Yesterday Jarvis Porter's shares leapt 26p to close at 138p. David Smith closed 17p higher at 338p.

See Observer

Trade Indemnity £29m in loss due to growth in insolvencies

By Richard Lappar

TRADE INDEMNITY, the UK's largest credit insurer, yesterday reported pre-tax losses of £28.8m for 1990, compared with profits of £17.2m. The dividend for the year is held at 1.9p, via a final of 1p.

The figures, the worst ever recorded by TI, reflect the impact of a rising number of insolvencies. Provisions of £40.8m were set against losses deemed likely to occur on business written in 1989 and 1990.

The results are complicated by the three-year accounting system used by the company. A £9.3m underwriting profit is recorded for 1988, the last closed year.

Expected losses on credit insurance business written in the open underwriting years of 1989 and 1990 amounted to £37.9m. A further £12.9m in provisions on the mortgage indemnity business, which the company ceased writing last year, were also made, leaving an overall underwriting loss of £31.5m.

Although underwriting expenses are included within the underwriting result, the pre-tax profit figure also takes into account exceptional and current year expenses of £4.8m, investment income of £6.36m and £1.6m in profits earned by TI's debt collecting, factoring and trade information subsidiaries.

The loss per share was 28.04p (10.3p earnings).

● COMMENT

The market responded to Trade Indemnity's losses and static dividend with a 1p fall in the share price to 93p. The shares are yielding less than 3 per cent, but 75 per cent of the company is owned by seven insurance companies, meaning that the paper is not actively traded. Immediate business prospects are bright. Trade Indemnity reported a big increase in new business. It aims to increase premiums by 40 per cent on policies falling due for renewal this year and is also aiming to be more selective in the sort of risks it writes. Although continental companies have begun to write domestic credit insurance in the UK, TI still enjoys a dominant position and is not subject to the sort of competitive pressures troubling composite insurers. So it should be able to improve its underwriting experience relatively easily. Even accepting the possibility of continuing high level of underwriting losses in 1991, it is still possible to envisage a return to profitability of perhaps £5m in 1991, about half the level achieved in 1989. That would put the shares, on yesterday's closing price, on a prospective p/e of about 27 – again on the expensive side. And all that leaves to one side the potentially significant impact of a possible acquisition by TI of the Export Credit Guarantee Department's short-term export credit arm, the ISG. If the bid were to succeed TI would have to raise capital – possibly as much as £100m (compared with existing shareholders' funds of £48.9m).

IN BRIEF

ALLIED INSURANCE Brokers: Following approval at recent EGM, company's name changed to Oriel Group.

ELGA GROUP: Rights offer to shareholders in connection with offer for Chromacol accepted in respect of 2.07m new ordinary shares, or 62.3 per cent of those made available. A further 1.43m new ordinary have been conditionally placed with new institutional shareholders.

FERRANTI has completed the sale of of its UK Fuel DispensingSystems business for £16.5m to Dresser UK. Net proceeds of some £15.6m will be used for working capital purposes.

HUNTINGDON INTERNATIONAL has acquired Schaefer Dixon Associates of Los Angeles, for $3.4m (£1.79m). SDA is a geo-technical and environmental engineering consultancy and made pre-tax income of $560,000 for the year ended September 30 1990.

MANPOWER: acquisition by Manpower Inc not being referred to Monopolies Commission.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
BICC	fin	13.25†	July 1	13.25	19.25	19
Cadbury S'weppes	fin	8.5	May 29	7.9	11.5	10.7
Close Bros	int	2.8	Apr 19	2.8	-	8
CRH	fin	4♣	May 8	3.5	6	5.25
Fairey	fin	5.5	June 14	5	8.25	7.4
Galliford	int	0.95†	Apr 5	0.95	-	4.25
GKN	fin	12.5	May 29	12.5	20.5	20
Hagges (John)	int	nil	-	1	-	2
Heywood Williams	fin	8†	Apr 12	8	12.5	12.5
Instem §	fin	1.65	July 5	1.5	2.85	2.5
Pentland	fin	0.4375	July 1	0.35	0.75	0.6
Pickwick Group	fin	3.7†	-	3	5.35†	4.25
Sinclair (Wm)	int	1.6†	Apr 3	1.5	-	6.3
Stat-Plus	fin	3.5	June 3	3.75	6.25	5.5
Trade Indemnity	fin	1	July 1	1.22	1.9	1.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bailey (Ben) Construction, Brierley Invs., Creston, Kleinwort Benson Intl. Inc. Bond Fund, Mucklow (A. & J.), Pict Petroleum, Pochin's, Principal Hotels, Renishaw.

Finals- Baynes (Charles), Emess, Gaskell, Ladbroke, MTL Instruments, MTM, More O'Ferrall, Murray Intl. Trust, Nichols (J.N.) Vimto, Pentos, Radius, Rolls-Royce, Sandvik, TI, Ultramar, United Plantations Africa, Victaulic, WPP.

FUTURE DATES

Interims-

Aspen Communications	Mar. 20
Merivale Moore	Mar. 14
UDO Hldgs.	Mar. 22

Finals-

Alexon	Mar. 18
Dairy Farm Intl.	Mar. 13
Hong Kong Land	Mar. 18
Jardine Matheson	Mar. 20
Kinta Kellas Invs.	Mar. 15
Mandarin Oriental Intl.	Mar. 19
Matthews (Bernard)	Mar. 20
Rexmore	Aug. 14
Stag Furniture	Mar. 19
Tullow Oil	Mar. 20

Database with a claim on truth

By Richard Lapper

Britain's insurers are making increasing use of "electronic shopping" databases in a bid to control the rising cost of theft and other domestic property claims.

The US electronic shopping company Comp-U-Card, and Alphabet, a specialised Cheltenham-based product identification service, provide product information against which the insurers can verify the value of goods claimed. Both companies report increased interest from an industry which has seen profits squeezed over the last 12 months.

The computerised databases contain comprehensive lists of a vast range of durable consumer products with detailed specifications and prices. In addition, the two companies can obtain replacement items directly from wholesale and retail outlets quickly and often at a discounted rate.

Comp-U-Card, a US company that manages one of the world's biggest electronic shopping operations, has a database containing details of more than 30,000 retail items, including motor vehicles. Formed in the US in 1973, Comp-U-Card opened its UK operations in 1982 and is expanding in Europe.

It has 5,000 investors, including 40 of the top US banks, and 15m individual members who use the database as an electronic mail order catalogue.

Alphabet has built up a database – with around 30,000 items – listing mainly electrical products manufactured over the last 12 years.

By matching the price and year of purchase of items claimed by people on their insurance policies with the specifications contained on their database, the services can help detect potential insurance fraud. With the systems employed to check claims by many companies fairly primitive, small-scale insurance fraud has become an increasing problem.

James Hyslop, managing director of Alphabet, says "a lot of money has been walking out of the door in inflated claims. There are an awful lot of people who simply get a copy of a hi-fi magazine, see the latest model and then say they bought it last year, claim it has been stolen and make a claim."

Alphabet also incorporates claims information from different companies on to its centralised databases – allowing for detection of frauds where an individual makes the same claim on two or more separate companies.

The insurance companies' recent losses mean that the industry is receptive to any ways in which it can reduce losses. Although claims from bad weather and subsidence caught the eye last week when four of the country's big insurers reported heavy underwriting losses, insurers have also been hit by an increase in claims from theft.

Last week Commercial Union, for example, reported a 50 per cent increase in the cost of theft claims. The Association of British Insurers says that claims in the first six months of 1990 were 30 per cent higher across the industry than in the equivalent period of 1989 and expects an even sharper deterioration when it announces full figures for the year in June.

Comp-U-Card says that attitudes among UK insurers have changed sharply over the past four years as claims costs have escalated. "Four years ago it was extremely difficult for us [to approach] insurers. There was a great deal of tradition and this was even more pronounced in the claims departments of companies." Comp-U-Card says insurers "really woke up" after they were flooded with claims following the hurricane of October 1987.

Hyslop says that Alphabet has been inundated with inquiries even more recently. Twelve companies, including Royal Insurance, Guardian Royal Exchange and the Prudential, are using the database and a further 12 are assessing the system.

Prudential has been using Alphabet's services on a trial basis since the beginning of last month. According to Maureen Abott, head of claims at Prudential, substantial savings have already been made. In the trial Abott says savings of more than 70 per cent have been achieved.

Ken Jackson, director of one of Sellafield's nuclear projects, speaks to **David Fishlock**

Glowing with pride

In his square, rimless glasses and dark business suit Ken Jackson easily resembles a City gent. He is, however, the engineer responsible for one of the world's most complex construction projects, the £1.85bn thermal oxide reprocessing plant (Thorp) which has just begun the first phase of a two-year commissioning programme at Sellafield, Cumbria.

Jackson began his career designing aero-engines at Rolls-Royce, but has spent most of his career in chemical engineering. He joined BNFL a decade ago after building and running plants for ICI. He took command of the Thorp project in 1986 – three years after the board approved plans for construction.

Up to then responsibility for Thorp had been divided. Jackson was given total responsibility not only for building and commissioning the project but also for the associated £100m research and development programme. He immediately reviewed schedules and asked for two more years – it had already slipped by one, he reckoned – and 12.5 per cent more money.

Jackson has not changed his estimates since 1986 – unlike the builders of the Channel Tunnel, he points out. He also claims the best safety record of any large construction site in the UK, with an accident rate only one-quarter the average figure. The Health and Safety Executive recently visited Thorp to try to discover why it was so safe. Jackson says it is because BNFL penalises its contractors rather than their employees if they are found to be infringing HSE rules.

Thorp is a chemical separation plant. The late Lord Hinton, who built the nuclear factory in the 1940s, rated it the most difficult of all the projects he ever undertook. Jackson rates Thorp a project as complex as three nuclear stations costing about £2bn apiece, if measured in terms of the number of control loops.

R&D at the rate of about £10m a year has proceeded in parallel with Thorp's design and construction. Construction is scheduled for completion next February, leaving him the rest of 1992 to finish commissioning and to reprocess his first batch of highly radioactive fuel. "With something like this, you're designing almost to the bitter end," he says.

Thorp's job is to dissolve the highly radioactive spent fuel and separate the ceramic into three constituents – uranium, plutonium, and fission products (radioactive wastes). The ceramic takes about eight hours to dissolve in hot nitric acid. Uranium and plutonium can be reclaimed as fuels.

Ken Jackson: 'My job is to exercise judgment as to when we can proceed without too much risk'

R&D has provided Jackson with Thorp's process flowsheet, providing confidence that the chemistry will behave as the chemists predict. But because R&D and design are progressing in parallel, "one of the most challenging parts of my job is to exercise judgment as to when we can proceed without too much risk". They are the most difficult judgments he must make, he says.

By chemical industry standards he considers Thorp simple stuff – easy chemistry, low temperatures and pressures. But it involves two kinds of toxic hazard – radiation and chemical – and uses novel technology invented by BNFL.

Thorp's flowsheet was proven on a small-scale model, only 1:10,000. But the novel technology has been demonstrated full-scale with only the radioactivity missing. This is the pulsed-column process in which one chemical stream flows through another, and ingredients transfer from one to the other, without moving parts in the plant. The dynamics of the many pulsed columns require sophisticated computer control.

Thorp's 3,000 stainless steel vessels and 239 kilometres of stainless steel pipework are distributed among its 2,032 rooms to localise the consequences of any leak or breakdown. Control is distributed among 15 main computers and 90 zonal computers, networked to a central control room. Jackson says that Thorp has drawn extensively on the experience of computer-controlled-projects already commissioned at Sellafield for storing spent fuel and treating radioactive wastes.

Construction is currently at its peak employment with about 5,000 people working on Thorp. Jackson has begun to commission plant services, the first of five commissioning phases, including plant control, then three areas of the flowsheet. Each has its own manager reporting to Jackson. "But I find with a project as complex as this that nothing is so simple you can divide it into neat compartments." His commissioning team of 400 at present will increase to 1,000 by the end of this year, and will peak at approaching 2,000 in mid-summer 1992.

Before Thorp "goes active" – radioactive fuel is introduced – Jackson also plans to have maintenance schedules worked out for the first 20 years of operation. Thorp involves three different approaches to maintenance: conventional in the case of its non-active areas; robotic for the mechanical handling of spent fuel and radioactive wastes; and zero maintenance in sealed rooms where fuel is chemically processed.

Jackson has also built a plant simulator, on which he can model the dynamics of Thorp's process, validate its control software, and train its operators. He expects it to need a total of about 800 operating staff, working a five-shift rota.

A small explosion at Sellafield in 1973, energetic enough to blow radioactive gas from a sealed room into areas where men were working, taught its managers that there were still things to be learned about the chemistry of spent fuel reprocessing.

His R&D programme has rigorously examined every possible failure mode, says Jackson. The nuclear inspectors stipulate the radiation limits for anyone standing on Sellafield's boundary. "I'm accountable under the nuclear site licence," Jackson says.

Criticality has a special meaning for the nuclear engineer. It is the nuclear reaction which takes place when a fissile materials such as plutonium reaches a certain concentration. Criticality releases deadly gamma-rays. "It must not happen," Jackson says.

Could operator error cause an accident? Compared with a nuclear reactor, Thorp's reactions are sluggish, giving its operators far longer to think about the next move should they see it drifting towards disaster. "You could walk away from Thorp and nothing would happen for quite a long time." Moreover, operators will have no way of interfering with Thorp's built-in safety systems – of switching them off, as was done at Chernobyl.

The money is on a secure lottery

By Della Bradshaw

When Julius Caesar wanted to restore Roman buildings or Britain's Queen Elizabeth I wanted to repair the country's harbours, they decided the best way to raise the cash was to hold a public lottery. Now British charities have followed their lead.

But with more than 50m lottery tickets to be sold in the UK's public lottery, and with £10,000 as the top prize, the need for watertight security has been one of the lottery company's top priorities.

The company, United Kingdom Charity Lotteries (UKCL), has two concerns with its "scratch! match!! win!!!" game. First, it has to guarantee the integrity of each ticket, so that only the legitimate winner takes home the money. But it also has to ensure that the sales money is distributed to the charities taking part in the game according to a set of pre-determined rules.

To guarantee that the tickets cannot be tampered with, UKCL has gone to US company Webcraft Games, of New Jersey, to produce the cardboard tickets with sandwiched layers of aluminium foil – the foil is scraped off with a coin to reveal a series of figures. (If three of the figures match, the purchaser wins that amount as prize money.)

To ensure that the retailer does not give the smaller prize money – of £5 or £10 – to someone who has fraudulently tampered with the card, coded numbers hidden under the silvery surface help him or her check its authenticity.

To claim a larger prize, the winner has to submit the ticket to the UK head office in London, where the winning formula on the back of the ticket is validated against a code number on the front.

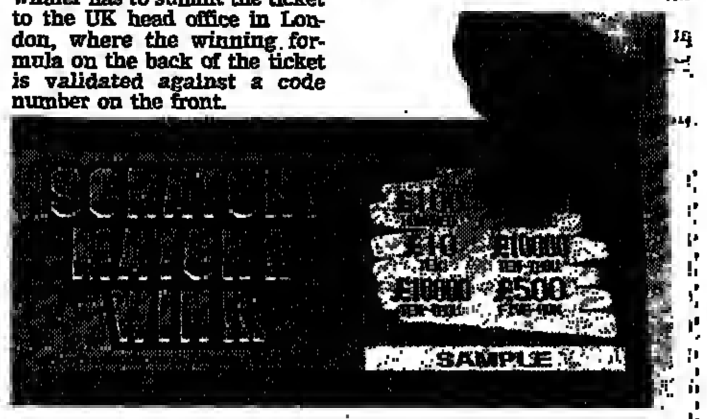
These winning code numbers are determined by a series of complex algorithms, performed at the time the tickets are printed. To prevent fraud, information on which card contains the winning pictures and numbers is kept separate until a claim is made.

In the US any potential frauds have been thwarted by these techniques, says Wilson Cunningham, president of Game Plan International, of Atlanta, the company which has developed the inventory, validation and cheque payment software used in the UK.

Game Plan has set up its Stratus computer system in London to help control the flow of tickets. At any time it can tell where each batch of 300 lottery tickets is – in which warehouse or retail outlet. Each batch will generate at least £120 in prize money.

The rules of the lottery in the UK insist that each of the 200 or more charities are allocated blocks of 180,000 tickets, each block containing a pre-determined combination of tickets of different values. Game Plan can therefore keep track of how much income should go to which charity.

Since the game started in the first week of February, only 3.8m of the 52m tickets have left the warehouses for the retailers, but business is picking up, says Cunningham. However, he still believes that the sceptical UK public has to be won over by the lottery scheme. He compares the UK scene to California where, when the first lottery was introduced, 80m tickets were sold in the first week.



BUSINESS LAW

Czechoslovakia opens for business

By Daniel Arbess

CZECHOSLOVAKIA'S federal parliament has finally delivered the ownership and foreign exchange laws that open the doors to foreign investment and rapid privatisation of some 4,000 state companies.

A new Foreign Exchange Law, effective since January 1, fully implements "internal convertibility" of the Czechoslovak crown.

Before the new law, joint venture companies were forced to segregate domestic and foreign currency revenues. Imports could be bought and profits transferred abroad in foreign currency only to the extent that the joint venture had on account "sufficient liquidities of foreign exchange", after paying its foreign currency expenses and satisfying a mandatory obligation to exchange 30 per cent of its foreign currency earnings for crowns at the State (central) Bank.

The Foreign Exchange Law ends the practice of segregating expenses and revenues and brings Czechoslovakia into line with international practice. With the exception of the foreign shareholder's capital contributions (which may be kept in separate foreign currency accounts), all foreign currency accruing to the joint venture must now be sold to the State Bank within a month after receipt, at a daily commercial exchange rate established by the State Bank.

If any Czechoslovak company needs foreign currency for any purpose (including supply and components imports or distributions to foreign shareholders), it simply presents the State Bank with an order to exchange available crowns, at a corresponding "sell" rate prevailing on the date of the transaction (in February, the "sell" rate was about 2 per cent higher than the "buy" rate).

There are, however, two limitations. The first – an import duty rather than a foreign exchange regulation – is a 20 per cent surcharge imposed on the import of certain consumer goods. However, this surcharge should have a limited impact on joint ventures, since it applies only to finished products rather than to imported components and will be phased out by the end of this year.

More troubling is a special set of exceptions from the internal convertibility regime which are found in the law itself. Czechoslovak companies need to apply to the State Bank for special permission to buy foreign currency for the purpose of purchasing immovables or securities abroad, or to receive "a foreign exchange credit" from a foreign bank or financial institution.

Most companies may not be too concerned about limitations on their right to buy foreign real estate or equity. The limitation on foreign exchange credit, on the other hand, might prove a real issue for companies planning to rely on foreign currency financing.

On the ownership side, the much awaited privatisation programme is now a reality. The controversial center-piece is the Restitution Law which was passed on February 21 and comes into force April 1. It paves the way for the return or compensation for expropriation of nearly $11bn of non-agricultural property expropriated by the communist government between 1948 and 1989.

Czechoslovak citizens permanently residing in the country (or their heirs, if they are resident citizens) will have to file for restitution or compensation by September 30 1991. The "obliged person" holding property subject to restitution will be required to maintain its condition and hand over possession no later than October 31 1991. "Obliged persons" will generally be able to claim a refund of any purchase price paid for real estate by filing a claim with the republic in question. Obliged persons are also entitled to compensation by the former owner for "substantial" increases in the value of restituted real estate. The former owner will receive physical possession of the property only if he elects to pay the increased value; otherwise, his compensation will be limited to financial restitution.

Property held by certain joint ventures and domestic companies, and by foreign countries, will not be eligible for return. Also exempt from physical restitution are substantially reconstructed buildings, and land on which one or more buildings have been constructed since expropriation.

Qualifying owners of non-restitutable property will have to settle for monetary compensation, the amount to be calculated by reference to existing regulations for real estate evaluation. Cash payments will be limited to Kcs 30,000 (about $1,000); the balance will be paid in "securities", presumably shares in soon-to-be-privatised companies.

While the restitution period progresses, full scale privatisation will begin. As a first step, most non-restitutable properties and businesses of local, "non-public" character (shops) are being auctioned under the Small Privatisation Law. Only Czechoslovak citizen-residents are entitled to participate in this at the moment.

The real opportunity for foreign investors is in the process of large scale privatisation. The Large Privatisation Law, passed on February 26, 1991, codified the approach to de-nationalisation and ownership transformation developed in early 1990.

The law requires every enterprise to develop a "privatisation project", detailing such things as an inventory and valuation of assets to be privatised, the corporate form the privatisation will take, "non-usable" property relating to the company's past life in the socialist economy, and the way shares of the privatised company will be issued.

New foreign exchange legislation ends the practice of segregating expenses and revenues and brings the country into line with international practice

The conversion process for each enterprise, including authorisation of the transfer of assets, must be overseen and approved by the sectoral ministry which traditionally exercised jurisdiction over the enterprise, in consultation with newly organised inter-ministerial commissions. After de-nationalisation, the company's shares will be owned by a National Assets Fund (NAF) attached to the republic ministries of privatisation.

The law provides a number of methods of issuing shares, including through the use of domestic "investment coupons", domestic and foreign flotation, and divestiture by controlled auction to foreign investors.

Under the investment coupon programme, every resident Czechoslovak citizen over the age of 18 will be entitled to a number of coupons representing a fixed number of "points". The coupons are expected to be issued at a nominal price, although the legislation does not specify exactly what the price will be. A company's privatisation project will indicate the proportion of its shares which will be offered for sale in exchange for coupons.

Key details about the pricing and mechanics of share distribution are largely left to future regulation.

Whether all or part of a company's shares are approved for privatisation to a foreign investor, asset valuation will be a critical issue. Strategic investors should be prepared to work closely with the Czech side to structure the transaction to maximise transparency and competition.

Finally, the strategic investor should carefully consider possible anti-trust ramifications of any big acquisition. Under the new Law on Protection of Economic Competition, effective March 1 1991, anti-trust scrutiny may be triggered in acquisition transactions in two situations.

First, when the assets of an existing state enterprise are transferred to a new joint stock company as part of the privatisation process, where it is anticipated that the new company will enjoy a market share of at least 30 per cent in a relevant market. In such cases the NAF is required to prepare an analysis of potential market abuse (with reference to the assumed level of competition within no more than two years). The NAF's conclusions will be reviewed by a newly set up competition office. A disapproval there can be overruled only by the respective government exercising jurisdiction over the enterprise.

The law is also relevant in mergers involving existing companies. A transaction is considered a "merger" where the investor "acquires legal or material capability to exercise control" over an enterprise "or a part thereof". To attract scrutiny, the merger must involve a company whose market share exceeds the 30 per cent threshold. The standard to be applied by the competition office is whether it is established that the "detriment" to competition resulting from the merger is "less important" than the advantages to be thus gained. The law is not clear whether a right of appeal also exists in this context.

The author is a lawyer with the international law firm of White & Case.

COMMODITIES AND AGRICULTURE

Biggest ever gold coin launched

By Kenneth Gooding, Mining Correspondent

GOLDCORP OF Australia yesterday surprised the gold market by launching a 1 kg bullion coin that it claimed was the biggest legal tender coin of any type produced this century and the biggest gold coin ever minted.

The new Australian Nugget, weighing 32.15 troy ounces, is 99.99 per cent pure gold, 75 mm in diameter and 12.9 mm thick. It has a face value of A$10,000. Mr Don Mackay-Coghill, managing director of GoldCorp, said: "Without question this is the most radical development since the introduction of the Krugerrand coin in 1970.

"The time is right for the coins to move in and challenge gold bars," said Mr Mackay-Coghill, a South African who was one of the team that launched the Krugerrand and revolutionised the business.

Analysts in London suggested there might be tax advantages in some countries in describing a lump of gold as a legal tender coin rather than as a bar.

Mr Mackay-Coghill promised, at a gold conference in Sydney, that the new Nuggets would sell at lower premiums to the market price of gold than any other bullion coins.

The new series of Australian Nuggets will be issued to two-ounce, 10-ounce and 1 kg weights. Until now the maximum Nugget size has been one ounce.

In recent years GoldCorp has attempted to combine collectability and investment potential to its bullion coins by limiting the number minted each year. However, the new Nuggets will be produced in unlimited quantities.

GoldCorp has chosen to launch its oversized Nugget at a time when bullion coin sales are in the comparative doldrums. According to the World Gold Council, the Geneva-based promotional organisation, sales of the five most successful legal tender gold coins (the Canadian Maple Leaf, the US Eagle, the Australian Nugget, the British Britannia and the Austrian Philharmonic) rose from 2.37m ounces in 1989 to 2.4m ounces (about 75 tonnes) last year.

The Gold Fields Mineral Services consultancy organisation, says total official gold bullion coin sales fell from the equivalent of 200 tonnes in 1987 to about 127 tonnes in both the following years and anecdotal evidence suggests sales remained flat last year.

Brazil's coffee export earnings fell behind Colombia's last year

By Victoria Griffith in Sao Paulo

BRAZIL HAS lost its world lead in coffee exports to neighbouring Colombia.

Colombia's receipts from the 13.9m bags (60 kg each) it sold abroad in 1990 totalled $1.5bn, some $200m more than Brazil earned from exports of 16.9m bags.

While Colombia has overtaken its southern neighbour before – in 1986, following a terrible drought in Brazil – last year was the first time Brazil had taken second place under normal market conditions.

Colombia's exports have soared since the suspension in 1989 of the International Coffee Organisation's export quota system. But Brazil, which had enjoyed a 30 per cent share of ICO quotas, has not been in a position to expand its overseas sales in the free market. Meanwhile the price premium on Colombia's washed arabica coffee has increased as the western consumers have moved up market.

"Brazil's coffee sector suffers from low productivity and poor quality," said Mr Carlos Calmon, president of the Brazilian Federation of Coffee Exporters. While the market prefers high-grade arabicas, or "milds", Brazil produces mostly low-grade arabicas and robustas. Moreover, Brazilian coffee is sun-dried, not washed, as it is in Colombia.

Exporters also complain that not enough care is taken at harvesting and later in storing the coffee beans. On this point, coffee production can be improved, but only with investment in the sector. And with credit scarce in Brazil these days, capital is hard to come by.

"Any improvement in the quality of Brazilian coffee will only come in the medium-term," said Mr Calmon. "By that I mean at least four harvests."

In the past, Brazil sought to compete on price. This is more difficult now that the market has become heavily consumer-oriented. Moreover, last year's removal of government subsidies in Brazil eliminated some of the sector's price advantage.

Many small Brazilian farmers, who made a good living in the past by growing hardy robustas, are facing hard times now that the government is no longer a guaranteed buyer.

The coffee sector is divided over whether Colombia will maintain its lead in 1991. Some exporters believe that, with Brazil unlikely to increase volumes this year, it will continue to play second fiddle.

According to Mr Calmon, however, it will be difficult for Colombia to keep its sales up to last year's level. "They sold most of their stocks," he said, "and now they will have to rely on production."

Colombia's move to lead position in coffee exports was not the only bad news the Brazilian coffee market got this week. January's soluble coffee exports, it was announced, suffered a 51 per cent fall compared with last year in terms of volume and a 40 per cent fall in terms of value of sales. Exporters blamed the fall on the world recession, which led to reduced sales in key countries like the US.

Hormones found in beef samples

BRAZIL'S MINISTER of Agriculture, Mr Antonio Cabrera, has banned six farms from selling their beef on the market after illegal hormones were discovered in meat samples, writes Victoria Griffith in Sao Paulo.

The incident calls into question once again the quality of Brazilian beef. The hormones, which are used to fatten cows quickly, have been banned in Brazil since 1988. The farms will not be allowed to sell meat on the market for at least six months.

Despite an ambitious new testing programme undertaken by the federal government, Mr Pedro de Camargo Neto, president of the Brazilian Rural Society, said more would have to be done to guarantee quality in the sector. He said beef producers were considering a self-imposed tax that would be used to finance a private quality control centre.

The Ministry of the Economy said it was on the verge of authorising the closure of contracts for the importation of 100,000 tonnes of beef from the European Community to offset beef shortages on the domestic market.

The shortages have appeared over the past few weeks as farmers have held back supplies in protest at government price freezes. The government also said it was negotiating with the EC for the elimination of import restrictions on Brazilian meat, in particular the quota on high-quality Hilton beef.

Reform comes at a bad time for Madrid

In the third article of a series on national attitudes to proposals to redirect agricultural support policy Peter Bruce finds the Spanish government in something of a quandary

THE TRAGIC and very public passing in Alicante last year of Sultan the bull, after undergoing surgery for a knee injury brought about by an overhasty lunge at a cow, brought home, for the first time for many Spaniards, the scale of the effort being made by farmers to do something about their often desperate lack of competitiveness.

Sultan had been bought in 1986 by the Cantabrian government in northern Spain for $1m from his Canadian owners to try to improve the quality of the region's dairy herds. Before he died, he made 70,000 sperm donations, only 30,000 of which had been used.

Herd improvement is an expensive, slow business. The sperm used in an artificial insemination costs about $85. One large dairy farmer in Andalucia says it took him five years to bring average production of his cows from 15 litres a day to 22 litres, just under the European Community average.

But time is of the essence for all Spanish farmers. The country joined the community only in 1986 and its farming and other industries have not had the benefit of years of rationalisation and streamlining imposed either by reforms to the Common Agricultural Policy or by industrial competition regulations.

This means that recent proposals by the EC's agriculture commissioner, Mr Ray McSharry, to "remodulate" the financial incentives paid to farmers under the CAP towards lower support prices, reduced production to match consumption and measures to encourage the survival of small, inefficient farmers will, if adopted, catch Spanish farming in the middle of a period of profound change.

The government in Madrid has been even more than normally quiet since the McSharry proposals were made public earlier this year. It is trapped between its competing desires: to encourage the large mechanised dairy and cereals farms in the south, mainly in Andalucia, and to keep small, family-run farms in the north in business as well.

More than 90 per cent of Spain's farms are smaller than 20 hectares and 50 per cent are smaller than 5 hectares. Yields in many prime crops are extremely low. The Spanish average about 2.1 tonnes of barley on an unirrigated hectare compares with 5 tonnes in, say, Scotland. In wheat, the comparison is worse still – 2.4 tonnes against 7 tonnes.

Given the large number of small farms in Spain, the government would probably welcome Mr McSharry's proposals in principle. Its problem is that many of the large cereals farms in the centre of the country – Castilla-La Mancha, Castilla-Leon and Teruel are desperately uncompetitive and the land poorly endowed.

Six centuries ago most of central Spain was forested, but the trees were gradually cut down to allow wealthy sheep farmers to migrate their flocks to escape hot summers in the south and freezing northern winters. Farmers in Castilla-Leon, north west of Madrid, say they are beginning to withdraw much of their land from cereals altogether to concentrate on new crops. Many are planting sunflower.

Needless to say, the union of small farmers is enchanted with the ideas put forward by Mr McSharry. "We fully support his analysis," says Mr Fernando Moraleda, the union's secretary general. "Spain would cease to be Spain if farming became focused solely on the markets."

The country's small farmers, though, have been hearing soothing noises about how important they are to the social fabric of the nation for decades and are no longer easily moved. "What the commission does not say is the most important thing – what it is actually going to do about the imbalances that its price support system has caused," says Mr Moraleda. "We could not live with price cuts. It would be akin to treating cancer with aspirin.

"They have to decide how they are going to 'configure' prices in the market. We would reject the price package now being negotiated and we want a calender established to discuss the reforms." Particularly, Mr Moraleda says, Spain's poor farmers want the payment of premiums – bonuses paid on top of support prices to reward quality – to be awarded on a more discriminatory basis and not equally.

"There are also large farms that are not really efficient because they depend too much on Community subsidies," he says. "If they are serious they should renounce subsidies."

Most analysts expect that Spain will see the McSharry proposals as a way of drawing more community funds into Spain, not least because as its support dwindles in the cities, the countryside is critical to the electoral prospects of the ruling Socialist Government. More than 65 per cent of the active agricultural population either owns its own farms or works for a family member that owns one.

In the only area in the south where farms are both small and highly profitable – the greenhouse-strewn lands producing fruits and vegetables for export around Almeria and Murcia, the commission's ideas would probably guarantee the Socialists limitless popularity if they were adopted.

Certainly, countries like Britain and the Netherlands, which strongly oppose the McSharry proposals, will not be able to count on Spanish support. The only question in Spain is to what extent the government might be able to satisfy its rich and efficient farmers whilst feeding the poor at the same time.

Rise in world tin stocks levels off

WORLD TIN stocks were 45,000 tonnes at the end of December, 5,000 tonnes below an earlier unofficial estimate but more than double the target level of 20,000 tonnes set by producers, according to delegates at the Association of Tin Producing Countries meeting in Kuala Lumpur.

The figure was almost unchanged from the end of June, however, and analysts said the production cuts by some producer members because of sliding prices and the association's export controls had helped to check a further build-up in stocks.

Stocks in Malaysia, the world's fourth largest producer, fell to 14,790 tonnes at the end of 1990 from 20,547 at end-1989. But a big rise in stocks on the London Metals Exchange, largely due to an influx of metal from Brazil, the world's biggest producer, continued to undermine the ATPC's export control scheme.

● The ATPC has adjourned its executive committee meeting until tomorrow, officials said at the end of their second day of talks. No reason was given. The ATPC was earlier scheduled to meet for four days from Tuesday.

The ATPC comprises Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire. Nigeria and Zaire have not attended the meeting.

Coconut controversy grips Philippines

Greg Hutchinson on efforts to revive the industry's fortunes

THE COCONUT is no laughing matter in the Philippines. Indeed, Mr Charles Avilar, administrator of the country's Coconut Authority describes it as "the most political commodity in the Philippines today".

"In the coming months the coconut industry will be full of controversy," says Mr Avilar as we sip coconut juice and wonder what are the thousand and one industrial uses that he claims can be made of this unprepossessing product. His deadly serious tone is understandable when one considers that in the Philippines, the world's biggest producer, the employment of a third of the population is connected in some way with coconuts.

That amounts to 20m people in an industry earning $600m from exports; not a very impressive picture considering that electronics, employing less than 100,000 people, grosses $3bn a year.

But the World Bank, determined that industry crop should not die a natural death, is sinking $121m into the industry over the next five years. These new funds and a decision by the administration of Corazon Aquino, the president who dismantled government's monopoly of the industry five years ago, to step back in as regulator, will effectively keep coconuts at centre-stage.

Because of adverse market conditions the Philippines' coconut product exports earnings fell 5 per cent last year to $600m, despite a 31 per cent rise in shipments to 2.04m tonnes (in copra terms), Mr Alivar, administrator of the Coconut Authority announced recently. But the fall was substantially lower in percentage terms than the preliminary 13.9 per cent drop in export earnings reported on February 1 by the United Coconut Association of the Philippines, an industry body.

Of the major coconut products, only coconut oil exports rose in value, increasing by 11.45 per cent to $415.13m.

Desiccated coconut exports fell 19.69 per cent to $60.27m, while copra cake/meal earnings were down marginally at $53.25m. Export earnings from copra itself fell by 14.66 per cent to $20.56m.

In a bid to regain the confidence of buyers, Mr Avilar says, strict regulations will be imposed to prevent contamination with aflatoxin, a toxic mold caused by inadequate drying of copra (coconut flesh). Such contamination of the oil squeezed from copra is a major concern for international buyers. Other worries for the industry include competition from other vegetable oils and the cholesterol content of coconut derivatives.

Drying equipment will be made widely available to coconut farmers and Mr Avilar says this initiative is expected to reduce the risk of contamination. The other component of the World Bank programme is extensive replanting and fertilisation of coconut trees, half of which the agriculture department says are senile, and most of which are planted on unsuitable land.

Meanwhile, the move to begin regulating the country's life-blood industry again after five laissez faire years is expected to excite strong apprehension. "Regulation" has been a dirty word for many farmers and others in the coconut industry, controlled before Mrs Aquino came to power by cronies of the late dictator Ferdinand Marcos, who, the government alleges, diverted 9.7bn pesos (£190m) of a special levy said to have been paid by 1.4m farmers.

The levy was used to set up the United Coconut Planters Bank, which is alleged to have diverted levy funds to cronies, such as Mrs Aquino's estranged cousin Mr Eduardo Cojuangco, who next Tuesday will attempt to win a proxy battle to regain control of the bank from the Aquino administration's Presidential Commission on Good Government.

The government also alleges the Mr Cojuangco used the levy funds to try to gain a controlling interest in San Miguel Corporation, the Philippines' biggest industrial company. Mr Cojuangco, seen increasingly as a serious presidential contender in next year's election, says he has earned control of both corporations, denies any wrong-doing and says he will not stop fighting to get back what he believes is his.

The authority now estimates the levy to be worth P35bn and wants the money recovered and ultimately returned to farmers in an extension of the World Bank coconut industry development programme.

Hitting out at the "unbridled competition" of the coconut industry, Mr Avilar says: "Now, we're trying to bring the pendulum back. We recognise we are a developing country and that we cannot have anarchy". But he says there is no intention to return to a monopoly.

The World Bank loan is part of a five-year programme also involving the Department of Agriculture and the Coconut Authority, a statutory body, to replace senile trees with higher yielding varieties and to boost the use of fertilisers.

WORLD COMMODITIES PRICES

MARKET REPORT

Cocoa prices ended a hectic day in London well ahead yesterday as the trade continued to speculate over a possible deal between a UK trade house and tha Soviet Union. "The only thing thet could have generated thie enthusiasm and mede people run for cover ia Russian buying," one trader sald. London robusta coffee prices elso edvanced, following the recent gains In New York. Roasters were sald to be showing interest In a wide range of coffees, with second hend Indonesian and Brazilian aupplies actively traded. Origins, however, remained largely eidelined. In New York, arabicas were again eharply ahead at midday on whet analysts said was renewed roaster buying, technically encouraging factors and rumours a now defunct trade house may have defaulted on a large daal. "The funds are definitely Interested again," sald one analyst. Silver end platinum moved ahead on the London bullion market following the Federel Reserve chairman'e remarks that the US recession mey be shorter than expected. London's April freight futures contract rose by the 50 point limit, and closed poised to reach 1,600 points as firm physicale continued to boost sentiment.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.05-5.20t	-.325
Brent Blend (dated)	$19.80-9.90	-0.30
Brent Blend (April)	$19.35-9.40	-.275
W.T.I. (1 pm est)	$20.00-0.05t	-0.55
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$261-263	+0½
Gas Oil	$219-221	+10
Heavy Fuel Oil	$72-74	
Naphtha	$217-221	+½
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$366.65	+3.35
Silver (per troy oz)♣	393.60c	+9.00
Platinum (per troy oz)	$399	+1
Palladium (per troy oz)	$82.75	-0.80
Aluminium (free market)	$1540	-5
Copper (US Producer)	116c	-1
Lead (US Producer)	50c	
Nickel (free market)	386c	-9
Tin (Kuala Lumpur market)	14.91r	-0.01
Tin (New York)	258c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.74p	+0.17*
Sheep (dead weight)†	153.83p	+4.33*
Pigs (live weight)†	86.53p	-0.35*
London daily sugar (raw)	$236.6w	+1.6
London daily sugar (white)	$312.5w	-2.5
Tate and Lyle export price	£233.5	+3.5
Barley (English feed)	£123	
Maize (US No. 3 yellow)	£172	
Wheat (US Dark Northern)	£93	
Rubber (Apr)♥	48.50p	
Rubber (May)♥	49.00p	
Rubber (KL RSS No 1 Apr)	226.0m	+1.5
Coconut oil (Philippines)§	$350w	
Palm Oil (Malaysian)§	$360x	-5
Copra (Philippines)§	$230	
Soyabeans (US)	£146.5	+2.5
Cotton "A" index	85.10c	-0.35
Wooltops (64s Super)	330p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Apr/May. t-Apr. w-Mar/Apr z-Jan/Feb. x-Apr/Jun. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	206.20	209.40	207.40 204.00
Aug	204.00	206.60	204.80 202.00
Oct	200.00	201.60	200.00 198.00
Dec	194.00	200.20	194.00
Mar	192.00	195.20	196.00 193.20
May	195.80	197.80	196.00 194.40
White	**Close**	**Previous**	**High/Low**
May	305.0	307.0	308.0 303.5
Aug	303.4	304.5	304.5 301.5
Oct	278.0	278.0	282.0 275.0

Turnover: Raw 1242 (1926) lots of 50 tonnes. White 510 (1862)
Paris- White (FFr per tonne): May 1592, Aug 1589, Oct 1466.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	19.35	19.50	19.78 19.20
May	18.57	18.77	19.05 18.40
Jun	17.87	18.10	18.46 17.85
Jul	17.62	17.00	17.80 17.60
IPE Index	19.66	19.61	

Turnover 15686 (18907)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Mar	196.00	190.50	200.50 192.50
Apr	176.50	175.25	180.50 176.00
May	167.25	168.25	174.00 167.00
Jun	164.00	164.25	168.00 163.75
Jul	165.25	166.00	170.00 164.00
Aug	168.00	169.00	168.00
Oct	170.00	172.00	170.00

Turnover 6109 (7587) lots of 100 tonnes

WOOL

An encouraging increase in competition is reported from Australian sales. Japan is buying 25% of wool offered, not untypical of the proportion before the wool crises first developed. China is back in the market bidding strongly for a wide range of wools. Trade buying from elsewhere is steady and more confident than anyone expected so soon after the floor price ended. Top prices in Bradford are holding steady or occasionally moving up where wool from dollar-related South American sources is concerned. Top quotations are around 330 pence a kg. for 64s super, 240 for 58s average

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	656	625	659 641
May	682	650	683 660
Jul	709	680	712 692
Sep	729	701	731 713
Dec	753	729	756 745
Mar	775	754	782 765
May	792	774	797 785

Turnover: 17,866 (9028) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 5 862.77 (850.09) 10 day average for Mar 6 846.66 (850.56)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	544	522	546 526
May	565	545	570 547
Jul	576	551	587 565
Sep	596	580	594 580
Nov	615	594	612 600
Jan	624	610	624 610

Turnover:7010 (4642) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 5: Comp. daily 72.27 (71.61). 15 day average 72.00 (71.91)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	134.1	131.0	135.0 131.5
May	157.0	157.5	157.4 156.0

Turnover 535 (447) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	118.00		118.00
Jun	118.00	113.00	116.00 115.00
Aug	117.00	115.00	117.00

Turnover 305 (130)lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Mar	1730	1660	1730 1695
Apr	1580	1497	1580 1501
Jul	1215	1177	1219 1190
Oct	1296	1270	1300 1299
BFI	1744	1726	

Turnover 1000 (256)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	130.20	129.00	130.60 130.10
May	132.70	131.45	133.00 132.50
Jun	134.80	133.40	135.00 134.40
Sep	100.70	109.50	109.75
Nov	112.50	112.50	112.50
Jan	116.40	116.40	116.13
Barley	**Close**	**Previous**	**High/Low**
Mar	120.25	117.85	120.00
May	123.50	121.50	123.50 123.00

Turnover: Wheat 628 (465), Barley 52 (62). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	114.0		113.0
Apr	112.5		112.0 111.5
Oct	110.6	109.5	110.0

Turnover:40 (30) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	158.01	158.71			
Mar	157.10	157.60	157.10		70
Apr	157.20	157.60	157.20		86
May	157.50	157.70	157.50		96
Jun	157.00	157.60	157.30	157.00	101
Sep	157.60	158.10	157.60		1
Dec	157.30	158.20	157.30		102
Mar	157.10		157.10		82

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 9,320 lots	
Cash	1543-5	1544-6		1537-8		
3 months	1575-6	1576-7	1580/1570	1570-1	1574-5	61,650 lots
Copper, Grade A (£ per tonne)					Total daily turnover 21,625 lots	
Cash	1291-2	1285-7	1290/1279	1279-80		
3 months	1300-0.0	1290.5-1.0	1304/1281	1290-1	1294-5	63,079 lots
Lead (£ per tonne)					Total daily turnover 2,090 lots	
Cash	317-9	315-6	319.5	319-9.5		
3 months	330-1	328.5-9.0	333/327	330-1	328.5-9.0	13,244 lots
Nickel ($ per tonne)					Total daily turnover 2,498 lots	
Cash	8390-410	8425-50	8395/8390	8390-5		
3 months	8385-90	8410-20	8410/8350	8390-400	8365-95	7,357 lots
Tin ($ per tonne)					Total daily turnover 1,478 lots	
Cash	5565-70	5545-50	5572/5572	5570-2		
3 months	5663-70	5648-50	5672/5645	5670-5	5660-5	5,722 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,380 lots	
Cash	1218-20	1217-8	1222/1216	1215-6		
3 months	1208-10	1207-9	1215/1200	1206-7	1202-6	16,735 lots

LME Closing £/$ rate: SPOT: 1.8890 3 months: 1.8617 6 months: 1.8367 9 months: 1.8224

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	366.40-366.90	
Opening	363.75-364.25	
Morning fix	363.60	192.554
Afternoon fix	366.20	194.528
Day's high	369.25-369.75	
Day's low	363.40-363.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.71	6 months	5.33
2 months	5.65	12 months	5.23
3 months	5.55		

Silver fix	p/fine oz	US cts equiv
Spot	202.80	383.10
3 months	209.20	389.50
6 months	214.85	395.70
12 months	226.05	409.25

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	367.00-368.00	194.35-194.85
Maple leaf	378.00-379.00	200.00-200.50
New Sovereign	89.00-90.00	47.10-47.60

TRADED OPTIONS

Coffee	May	Jul	May	Jul
550	30	46	15	19
600	10	22	45	44
650	3	10	88	82
Cocoa	**May**	**Jul**	**May**	**Jul**
650	43	75	13	10
700	17	44	37	35
750	0	25	76	66

Brent Crude	Apr	May	Apr	May
1900	50	150	10	90
2000	20	55		100
2100	0	30	160	230

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	365.0	364.7	367.5	366.0
Apr	367.5	366.3	372.0	365.2
May	369.2	368.0	0	0
Jun	370.9	369.7	376.0	368.5
Aug	374.1	373.0	377.0	371.8
Oct	377.5	376.4	382.0	377.0
Dec	381.0	379.9	385.5	381.0
Feb	384.7	383.6	0	0
Apr	388.2	387.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	401.1	397.0	405.0	398.1
Jul	405.1	401.7	409.0	402.0
Oct	408.9	405.7	413.5	408.0
Jan	412.4	409.3	411.5	411.5
Apr	417.2	414.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	386.8	384.1	395.0	382.0
Apr	388.5	386.0	0	0
May	391.0	388.5	400.5	384.5
Jul	396.0	393.3	405.6	390.0
Sep	401.0	398.3	407.0	395.5
Dec	408.4	405.6	418.0	403.0
Jan	410.1	407.2	0	0
Mar	410.2	413.3	423.0	410.5
May	421.7	418.7	0	0
Jul	427.1	423.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	111.70	111.60	112.20	111.20
Apr	119.50	110.65	119.60	110.50
May	109.70	109.75	110.30	108.00
Jun	108.90	108.90	108.90	108.50
Jul	108.10	108.10	108.20	107.50
Aug	107.45	107.45	108.30	107.70
Sep	106.80	106.60	107.30	106.70
Oct	106.25	106.35	0	0
Nov	106.75	105.80	0	0
Dec	105.30	106.20	105.80	104.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	116.19	114.00	116.30	114.25
May	115.15	113.25	115.25	113.40
Jul	115.30	113.70	115.30	114.00
Sep	110.25	114.10	110.70	115.00
Nov	115.00	113.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.79	20.43	20.75	19.67
May	19.50	20.02	20.30	19.38
Jun	19.19	19.67	19.93	19.10
Jul	18.92	19.39	19.62	18.89
Aug	18.80	19.21	19.45	18.70
Sep	18.85	19.16	19.40	18.80
Oct	19.00	19.14	19.40	19.00
Nov	19.00	19.14	19.35	19.00
Dec	18.95	19.15	19.45	18.90
Jan	18.95	19.14	19.40	18.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5395	5709	5825	5560
May	5345	5451	5550	5320
Jun	5210	5296	5380	5150
Jul	0190	5283	5330	0170
Aug	5245	5323	5400	5245
Sep	5445	5458	5580	5430
Oct	5500	5551	5620	5500
Nov	5500	5644	5690	5590
Dec	5700	5737	5810	5700
Jan	5700	5737	5709	5700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1171	1128	1175	1155
May	1201	1169	1213	1190
Jul	1229	1192	1240	1212
Sep	1257	1222	1263	1243
Dec	1296	1266	1302	1285
Mar	1331	1307	1338	1320
May	1355	1337	1351	1345
Jul	1383	1362	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	94.30	91.80	94.30	91.80
May	95.85	93.65	96.50	94.00
Jul	97.70	95.70	98.20	96.20
Sep	99.50	97.75	0	98.15
Dec	102.00	100.40	102.00	101.00
Mar	104.55	102.65	104.00	103.25
May	106.25	104.45	106.00	104.90
Jul	108.00	106.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.33	9.39	9.35	9.17
Jul	8.92	9.00	8.96	8.86
Oct	8.80	8.86	8.82	8.72
Mar	8.61	8.75	8.68	8.60
May	8.61	8.75	0	0
Jul	8.70	8.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	85.15	86.43	87.00	86.20
May	85.20	86.56	87.10	84.90
Jul	84.45	85.19	86.00	84.25
Oct	70.90	71.72	71.80	70.90
Dec	66.61	67.19	67.45	66.80
Mar	67.65	68.00	68.25	67.65
May	65.30	66.41	68.50	68.25

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 6	Mar 5	mnth ago	yr ago
1705.5	1699.2	1658.9	1902.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 5	Mar 4	mnth ago	yr ago
Spot	125.74	125.89	127.70	132.89
Futures	130.67	130.53	126.43	134.41

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	593/6	595/2	600/0	592/6
May	603/0	606/0	610/4	602/0
Jul	616/6	619/2	623/4	016/0
Aug	620/6	625/0	628/4	620/4
Sep	622/4	626/0	630/0	622/4
Nov	630/2	635/2	638/4	630/0
Jan	640/4	645/0	646/0	640/0
Mar	652/0	655/4	658/0	652/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.66	22.83	22.87	22.54
May	22.88	23.13	23.19	22.80
Jul	23.19	23.45	23.54	23.13
Aug	23.25	23.52	23.56	23.24
Sep	23.33	23.61	23.65	23.30
Oct	23.32	23.60	0	0
Dec	23.60	23.87	23.00	23.50
Jan	23.00	23.70	23.99	23.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	170.5	171.0	173.5	170.3
May	173.3	174.0	176.5	173.0
Jul	176.9	177.3	180.0	176.8
Aug	178.7	179.0	181.5	178.5
Sep	180.4	180.6	183.0	180.3
Oct	101.7	101.9	184.0	181.5
Dec	184.4	185.2	187.0	184.3
Jan	185.0	185.3	188.0	185.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	246/2	248/0	248/0	246/6
May	256/0	258/4	258/0	255/4
Jul	263/2	263/6	265/2	263/0
Sep	263/6	265/0	266/0	263/6
Dec	265/2	267/0	267/4	266/0
Mar	272/2	274/0	274/2	271/6
May	278/0	279/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	274/0	276/4	277/4	273/4
May	283/6	285/0	286/0	283/4
Jul	294/2	294/6	296/0	294/0
Sep	302/4	303/0	306/0	302/2
Dec	315/0	316/6	319/4	315/0
Mar	324/0	323/4	325/4	323/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	01.55	01.47	81.85	81.25
Jun	77.77	77.87	78.05	77.52
Aug	75.20	76.30	75.40	75.05
Oct	76.02	75.95	76.07	75.72
Dec	76.45	76.55	76.52	76.30
Feb	76.25	76.30	76.30	76.20
Apr	76.65	76.80	76.85	76.55

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	52.60	52.77	52.90	52.12
Jun	57.50	57.50	57.75	57.10
Jul	56.72	56.70	56.80	56.17
Aug	53.85	54.00	54.05	53.40
Oct	48.45	48.70	48.70	48.40
Dec	47.60	47.72	47.87	47.60
Feb	47.40	47.62	47.62	47.30
Apr	45.90	46.90	46.20	45.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	65.42	64.87	65.65	64.10
May	66.05	65.40	66.20	64.52
Jul	66.60	64.75	65.70	64.10
Aug	63.76	62.82	63.90	62.60
Feb	58.60	59.10	60.00	58.60
Mar	59.50	59.00	59.50	0

LONDON STOCK EXCHANGE

New trading peak in heavy turnover

THE UK stock market, joining trends set by the US and other European markets yesterday, broke through to all-time peaks in heavy turnover before losing some ground towards the close. The FT-SE Index closed nearly 40 points up on the biggest trading volume since the days immediately following Britain's entry into the European exchange rate mechanism in October.

European investment funds yesterday joined the US and British institutions which had been buying stock in London on the previous day. Share prices opened strongly on the back of Wall Street's 58 Dow point advance overnight and a severe squeeze on marketmakers' positions developed.

Previous market peaks were quickly challenged and despite some brief hesitation, the previous FT-SE closing peak of 2,463.7 and then the trading peak of 2,479.4, both reached in early January 1990, were surpassed. At the day's peak, the Footsie was 60.5 up at 2,480.6. The upswing was encouraged by strong performances across the range of European bourses, where gains often exceeded those of the London market.

Account Dealing Dates		
*First Dealings:		
Feb 25	Mar 11	Apr 2
Option Declarations:		
Mar 7	Mar 27	Apr 11
Last Dealings:		
Mar 8	Mar 28	Apr 12
Account Day:		
Mar 18	Apr 8	Apr 22

*New-time dealings may take place from 8.30 am two business days earlier.

The pace proved too hot to hold, however, and UK shares came off their best levels when Wall Street opened more slowly than London had anticipated. When Wall Street later strengthened, showing a gain of 23 Dow points in London hours, the UK market began to climb again in the final minutes of trading.

At the close, the FT-SE Index was 39.8 points up at 2,459.9, still 3.8 short of its all time closing high. Market strategists appeared undismayed by the market's failure to hold on to its new peaks yesterday. If Wall Street and the other European markets continue to advance, then London is likely to challenge the January 1990 closing peak of 2,463.7 very soon, perhaps this morning.

Seaq-recorded trading volume reached 1.05bn shares, close behind the 1.09bn recorded on October 9 last year when the London market was grappling with the implications of Britain's full entry into the European exchange rate system. The busiest session on the London market was on May 20, 1987 when, according to Datastream, 1.3bn shares were traded.

However, the Seaq figure takes in both inter-dealer and retail investment in equities. Inter-dealer business was extremely heavy yesterday as market makers struggled to find stock ahead of the close tomorrow of the current trading account in equities.

The UK market is still regarded by equity analysts as offering the best value among global markets which are now responding strongly to hopes that the ending of the Gulf war will stimulate an early recovery from the economic recession currently hurting industrial countries. In this context, London was encouraged by yesterday's comments from Mr Alan Greenspan, chairman of the US Federal Reserve, that the Gulf peace should stimulate business and consumer confidence in the US.

As in the previous trading session, it was the non-UK funds that provided the driving force behind the market. Continental European investors, in particular, made their appearance in force, apparently encouraged by the strength of their own domestic markets. UK funds were again topping up portfolios, adding to their holdings when they could find suitable lines of stock.

Strains on the market are increased by the approaching end of the first quarter and of the UK tax year, when fund portfolios will be formally valued.

FINANCIAL TIMES STOCK INDICES

	Mar 6	Mar 5	Mar 4	Mar 1	Feb 28	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	84.94	84.74	84.01	84.76	85.09	77.70	85.88 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.27	93.21	93.15	93.22	93.47	87.41	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1977.5	1946.0	1919.1	1910.2	1910.7	1757.0	1977.5 (6/3/91)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	142.7	142.5	143.0	143.0	137.7	286.5	378.5 (6/2/90)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2459.9	2420.1	2382.0	2386.9	2380.9	2230.3	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.0 (23/7/84)
FT-SE Eurotrack 200	1130.24	1106.10	1094.59	1088.10	1095.65	-	1130.24 (6/3/91)	938.62 (16/1/91)	1130.24 (6/3/91)	938.62 (16/1/91)
Ord. Div. Yield	4.87	4.95	5.03	5.04	5.06	5.03				
Earning Yld %(full)	9.24	9.58	9.73	9.75	9.79	11.82				
P/E Ratio(Net)(☆)	13.34	12.83	12.63	12.60	12.55	10.23				
SEAQ Bargns 4.45pm	58,857	38,710	37,518	36,810	42,389	24,167				
Equity Turnover(£m)†	-	1290.69	877.23	1029.39	1312.52	782.60				
Equity Bargains†	-	39,828	38,248	36,457	41,891	22,364				
Shares Traded (ml)†	-	558.7	429.3	470.3	712.0	353.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 12.86

Ordinary Share Index, Hourly changes Day's High 1994.1 Day's Low 1969.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1980.7	1975.9	1974.0	1981.1	1987.4	1990.8	1991.9	1983.6	1971.9

FT-SE 100, Hourly changes Day's High 2480.6 Day's Low 2448.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2457.7	2454.8	2452.7	2460.8	2469.6	2476.0	2477.0	2468.6	2454.2

FT-SE Eurotrack 200, hourly changes Day's High 1136.45 Day's Low 1125.39

Open	10 am	11 am	12 pm	1 pm	2 pm	6 pm
1125.39	1126.66	1128.41	1131.30	1133.93	1135.55	1132.46

GILT EDGED ACTIVITY

Indices*	Mar 5	Mar 4
Gilt Edged Bargains	98.9	88.5
5–Day average	102.0	103.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Telecom regains peak

BRITISH Telecom climbed 16 to equal its 3½-year-old record high of 335p. The rise, in heavy trade, was on further consideration of the UK government's white paper (policy document) on the telecommunications duopoly. Turnover came to 28m, the busiest single day's trading since 1987.

The shares have been under pressure for several months amid uncertainty over what the government's competition policy would be. Mr James Dodds at Kleinwort Benson pointed out that under the new regime there would not be an obligation for BT to cut its international call charges, and that the duopoly itself would be preserved until 1993.

Mr Christopher Tucker of Carr Kitcat & Aitken, who has been positive on the stock since the consultative document on the duopoly came out in November, said the shares were still a buy: "It was a better outcome than most commentators had expected and the shares should now benefit from a rerating."

He added that Mercury, BT's rival which is owned by Cable and Wireless, would be more exposed to market forces. There would also be a renegotiation of the agreement by which Mercury pays BT for the use of parts of its network. Cable added only 3 at 543p, a marked underperformance against the rest of the market.

Next bought

Otto Versand, the German mail order company which has made an offer for Grattan, the mail order division of Next, raised its stake in Next to 9.9 per cent from 3 per cent by buying stock in London yesterday. Next turnover was 35m.

The German group has offered £140m for Grattan but faces competition from Sears, which has bid £150m. Stores specialists believed Otto Versand had increased its holding in Next to increase its influence within the company, and would follow with higher terms for Grattan. They thought it unlikely that Otto Versand would bid for Next.

With Next unchanged at 33p and Sears up a penny at 95p, themarket was indicating that it was unsure who would gain control of the mail order business. Mr John Smith of UBS Phillips & Drew said: "The end game could yet be more complicated than the market realises. As for Next, once stripped of Grattan's (the mail order business) it will look distinctly overvalued."

GKN in demand

A stock-hungry market ignored poor results and subsequent cuts in analysts' profits forecasts for GKN, the motor components, industrial services and defence group. The shares moved ahead 11 to 390p as 3.3m shares were traded.

The company announced a £43m drop in end-of-year profits to £172m and a flat dividend but a slight reduction in borrowing.

UBS Phillips & Drew lowered its 1991 profits estimate by £15m to £150m, County NatWest reduced its figure by £2m to £142m and Hoare Govett took the most cautious stance and moved down from £158m to £127m.

Mr Colin Campbell of Hoare Govett said: "If they had come out with these figures in a different market, the shares could well have gone down."

Even news that General Motors had scaled down its forecast for European car sales, and Volvo had suffered its first loss in 60 years, failed to have an effect on GKN.

Blue Circle upset

Blue Circle, the cement group, weakened 11 to 271p after an attempted share placing left a large line of stock overhanging the market. This was doubly surprising given the market's apparent appetite for placings in recent weeks.

Between 1.6m and 1.8m Blue Circle shares were said to have been offered early in the day and, although marketmakers were unable to say what their fate was, the final turnover of 2.3m suggested that some remained with the dealer.

Water shares did not catch the imagination of the bulls but the Water Package broke through £3,000, which for some time has been a psychological barrier, and moved to £3,053 before settling 58 up on the day at £3,048.

SmithKline Beecham led international stocks higher, responding to a near 19 per cent increase in full year profits to £860m, at the top of the range of analysts' expectations. The shares were ahead 40 at one point before ending 33 to the good at 755p. Mr Robin Gilbert at James Capel said the tone of the analysts meeting was much more confident than in recent years.

A further surge by Glaxo took it to a peak of 1050p, before profit-takers moved in to leave the stock just 4 firmer on the day at 1036p but at a record closing high. Traders blamed the rise on a squeeze.

Many internationals stand to benefit from the strengthening dollar. Reckitt & Colman jumped 37 to 1385p, Reuters advanced 27 to 836p and Wellcome recovered 26 to 531p.

Further consideration of Fisons' figures that were announced on Tuesday left the stock 21 stronger at 462p.

A rise in profits from Rothmans International's Singapore operation helped these often volatile shares improve 33 to 813p, but turnover was low. BTR added 8 at 402p ahead of finals due next Wednesday. Volume was a busy 8.2m.

Merchant banks had a good day on hopes of an increase in rights issues and takeover attempts. Those with market-making arms additionally benefited from rising turnover in the stock market. Schroders added 12 at 760p, Hambros climbed 22 to 301p, S.G. Warburg advanced 23 to 427p and Wintrust ended 18 stronger at 340p. Securities house Smith New Court put on 9 to 137p.

UBS Phillips & Drew took Kleinwort Benson off its sell list ahead of the company's results, due out later this month. Mr David Pountney at UBS said: "The worse the figures are the better – it would encourage bid speculation. On fundamentals the (current share) price would be 250p. Look to buy." The shares rose 12 to 362p.

Carlton Communications was somewhat overlooked by the rising market in the wake of the company's annual meeting yesterday. Carlton said its first-half profits would suffer by comparison with the previous period from the weak dollar. The shares gained a net 6 at 341p, after having declined at one stage as the company contacted analysts to suggest they cut their profits forecasts by 10 per cent or more. Barclays de Zoete Wedd reduced its estimate from £137m to £110m for the current year.

Investors overcame their uncertainty over who would win in the auction for television franchises due to start in the spring. Gains in the sector were exaggerated by the fact that turnover is usually small. Among the best performers were TVS, 6 higher at 58p, TVS Entertainment, 7 ahead at 77p, and Yorkshire Television, 15 to the good at 276p.

Cadbury Schweppes rose 14 to 378p as the market greeted its final results with relief. The shares had been depressed this week on fears that a rights issue would accompany the results. The 14 per cent increase in profits to £279m was in line with expectations and analysts left their current year estimates of around £315m unchanged.

Some builders lost steam after a good run. Tarmac eased 4 to 269p and John Laing 5 to 336p. Raine receded 8 to 120p.

George Wimpey slipped 4 to 197p. Marketmakers said one dealer had bought a line of 3.2m shares at 201p through Batterymarch, the Boston-based computer investment service, and made an institutional placing at the same price. They said the deal was probably made on a commission only basis.

County NatWest placed two blocks of 1.4m shares in Vosper Thorneycroft with institutions at 240p. The stock closed 2 up at 246p on a turnover of 2.9m.

Fairey Group, the diversified engineering company, gained 23 to 254p on the back of higher final results.

Oils were firmer apart from Lasmo, which lost 7 to 376p as investors decided it was overvalued and switched into Enterprise, up 12 at 585p.

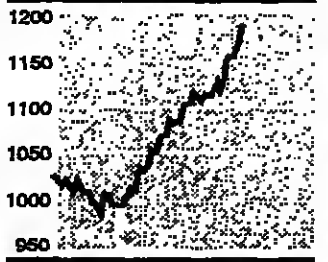
Burmah Oil gained 10 to 568p as overseas institutions bought stock, while Shell rose 7 to 475p on the back of a BZW buy recommendation. News that gasoline stocks were low in America, with the inference that refining margins would be greater, also helped sentiment.

Chemicals were strong on the back of a weaker pound and a shortage of stock. Yorkshire Chemicals, a big dollar earner, led the way with an advance of 27 to 415p.

In an otherwise calm property sector, news of a call and put option arrangement by Markheath concerning its holding in Frogmore Estates sent the two company's stock prices in opposite directions. Markheath and its subsidiaries hold 9.2m shares, or 23 per cent, of Frogmore. It will dispose of up to 8m through a put option at 291p and call options at 315p and 323p arranged with De Zoete and Bevan, part of BZW. Analysts and traders said the move was good for Markheath: it would improve its balance sheet ahead of the March 31 year-end. Markheath firmed 2 to 38p and Frogmore declined 9 to 336p.

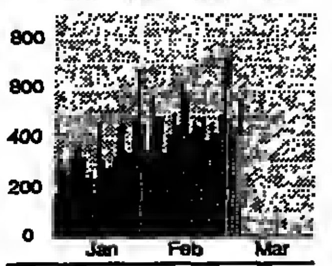
■ Other Market statistics, including the FT-Actuaries share index, Page 18

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (244).
BRITISH FUNDS (6) AMERICANS (6) CANADIANS (2) BANKS (6) BREWERS (6) BUILDINGS (20) CHEMICALS (4) STORES (14) ELECTRICALS (21) ELECTRICITY (6) ENGINEERING (7) FOODS (16) INDUSTRIALS (45) BTR Warrents '84/95, Baird (Wm), Barlo, Baxter Intl., Bespak, Betterware Cons. Prods., Bodycote Intl., Bowater, Brit. Aerospace, Do. 7¾ p Pf., Brit. Polythene 7½pc Pf., British Vita, Charter Cons., China Light, Cornwell Parker A, Courtaulds, Creighton Naturally, Daimler-Benz, De La Rue, Fisons, Glaxo, Hepworth, Kalamazoo, Kalon, Low & Bonar, Medeva, NMW Computers, Portals, Rank Org. 8¼p Pf., Reliance Security, Serco, Sidlaw, Silentnight, SmithKline Beecham Equity Units, Do. A, Spandex, Spring Ram, Tomkins, Do. 5¼pc Pf., Do. 5.5pc Pf., Unichem, Vinten, Warner Howard, Wolseley, Yale & Valor, INSURANCE (6) LEISURE (3) MOTORS (1) NEWSPAPERS (2) PAPERS (8) PROPERTY (6) SHOES (1) TEXTILES (1) TRANSPORT (1) TRUSTS (38) WATER (1).
NEW LOWS (8).
BUILDINGS (1) STORES (1) ELECTRICALS (3) FOODS (1) INDUSTRIALS (3) Plastiseal, Plaiton Intl., Tinsley (Eliza).

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,900	118	+1	Courtaulds	2,300	360	+11	MEPC	1,100	541	+6	Smith (W.H.) A	879	355	+2
ASDA Group	8,309	141	+2	Dalgety	797	308	-4	Manpower	5,800	70	+3	Smith & Nephew	6,800	115	+1½
Abbey National	6,220	278	+6	Dixons	2,400	181	-2	Manweb	402	217	+2	SmKl Beecham	4,800	755	+33
Albert Fisher	4,100	126	+3	ECC Group	1,300	394	-2	Marks & Spencer	10,000	244	+3	SmKl Beecham Uts.	173	3275	+127
Allied-Lyons	3,200	534	+12	Eastern Elect.	2,500	189½	+6	Maxwell Comms.	4,800	147½	+6	Smiths Inds.	783	365	+6
Amstrad	4,100	74	+4	East Midland Elect.	2,900	182	+14	Midland Bank	18,000	189	+2	Southern Elect.	2,500	181	+6
Anglian Water	1,500	304	+5	Enterprise Oil	1,000	585	+12	Midlands Elect.	1,800	182	+7	South Wales Elect.	740	217	+7
Argos	1,100	279	+6	Eurotunnel Units	297	508	-7	NatWest Bank	6,800	335	+5	South West Water	894	304	+6
Argyll Group	4,700	281	+9	FKI	3,200	59	+4	Next	65,000	33		South West. Elect.	1,000	187	+7
Ass. Brit. Foods	658	475	+3	Ferranti	11,600	15	+2	North West Water	1,000	305	+7	Southern Water	1,800	277½	+7½
BAA	3,000	425	+6	Fisons	5,000	461½	+20½	Northern Elect.	827	199	+10	Standard Chartd.	2,700	323	+29
BAT Inds.	2,800	719	+11	Gen. Accident	1,900	588	+6	Northern Foods	1,200	400	+5	Storehouse	1,800	117	-3
BET	6,400	152		General Elect.	17,000	209½	+3½	Norweb	3,100	192	+11	Sun Alliance	976	375	+2
BICC	2,900	438	+9	Glaxo	4,700	1036	+4	Pearson	315	739	+10	Sun Life	6	1180	+7
BOC	1,300	583	+14	Glynwed Int.	586	293	+7	P & O	823	625	+3	T&N	1,600	197	+2
BPB Inds.	1,400	225	-1	Granada	1,600	189	+1	Pilkington	7,800	192		TI Group	821	507	+4
BTR	8,200	402	+8	Grand Met.	3,700	749	+14	Prudential	4,000	259	-2	TSB	7,200	159	
Bank of Scotland	867	141	+6	GUS A	563	1208	-2	RHM	2,200	325	+9	Tarmac	2,200	269	-4
Barclays	4,200	453	+11	GRE	3,800	224	+7	RMC	970	741	+6	Tate & Lyle	1,300	343	
Bass	742	1069	-11	GKN	3,300	390	+11	RTZ	1,600	538		Taylor Woodrow	1,300	291	-7
Beazer	1,300	159		Guinness	4,800	815	+6	Racal	7,800	212	-5	Tesco	6,000	252	+4
Berisford Int.	1,600	31	+1	Hammerson 'A'	378	585		Racal Telecom	1,000	346	-6	Thames Water	2,500	305	+3
Blue Circle	2,300	271	-11	Hanson	10,000	230	+2	Rank Org.	1,800	777	+29	Thorn EMI	1,400	758	+36
Boots	2,400	356	-2	Hanson Warrants	1,400	46	+2½	Reckitt & Colman	359	1385	+37	Trafalgar House	4,600	285	
Bowater	950	584	+29	Harrisons Crosfield	3,900	171	+10	Redland	938	665	-4	Trusthouse Forte	2,800	282	+9
Brit. Aerospace	3,400	658	+17	Hawker Sidd.	3,100	587	-2	Reed Intl.	880	430	+9	Ultramar	2,800	351	-4
British Airways	12,000	172	+7	Hillsdown	3,400	227	+2	Reg. Elect. Pkg Uts	83	£1805	+82	Unigate	1,300	321	+6
British Gas	14,000	244	+6½	IMI	713	247	+4	Reuters	2,600	836	+27	Unilever	2,600	735	+19
British Land	721	325	+6	ICI	3,000	1109	+33	Rolls Royce	8,000	175	+1	United Biscuits	1,700	378	+2
BP	17,000	335	-½	Inchcape	1,900	313	+16	Rothmans	730	813	+33	Utd. Newspapers	352	364	+7
British Steel	14,000	142½	-2½	Kingfisher	2,900	445	+2	Ryl Bk Scotland	1,600	204	+6	Water Package Uts.	1	£3048	+58
British Telecom	33,000	335	+16½	Ladbroke	5,000	277	+8	Royal Insurance	2,100	475	-3	Wellcome	1,500	531	+26
Bunzl	548	87	+1	Land Securities	1,000	658	+10	Saatchi	8,000	22	+½	Welsh Water	255	334	+5
Burmah Castrol	1,000	568	+10	Laporte	293	580	+18	Sainsbury	2,500	335	+5	Wessex Water	1,000	305	
Burton	9,000	95		Legal & General	1,500	435	+7	Scottish & New.	3,200	388	-1	Whitbread 'A'	763	484	+2
Cable & Wire	6,800	543	+3	Lloyds Abbey	1,400	404	+7	Sears	3,400	95	+1	Wiggins Teape	6,800	230	+11
Cadburys	7,100	378	+14	Lloyds Bank	4,800	364	+9	Sedgwick	4,100	254	+6	Williams Hldgs.	4,000	277	-1
Calor Group	331	235	+2	LASMO	1,600	376	-7	Seeboard	577	182	+6	Willis Corroon	1,400	237	+2
Carlton Comms.	3,500	441	+6	London Elect.	1,600	197	+6	Severn Trent Water	1,000	283	+2	Wimpey	7,900	197	-4
Coats Viyella	8,100	145	-3	Lonrho	3,800	239	+4	Shell Transport	11,000	475	+7	Yorkshire Elect.	2,700	200	+9
Comm. Union	1,200	528	+1	Lucas	2,800	169½	+½	Siebe	1,500	420		Yorkshire Water	978	312	
Cookson	2,700	138	-3	MB Caradon	1,600	212	+5	Slough Ests	308	258	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

LONDON futures and options had their busiest session since sterling's entry into the European exchange rate mechanism last October as hopes for stronger world economic growth after the end of the Gulf war fuelled a powerful rally.

A shortage of shares continued to produce a squeeze in equities and forced marketmakers into the futures market to cover their books. Dealers said a large part of the turnover was among marketmakers, although some of the larger investment institutions were also increasing their exposure to UK shares via the futures market.

As the session wore on profit-taking set in. Some investors switched into European futures, while others were creating strategies in the options market to gain from the rally but avoid missing out on any further gains. Ona indication of thie was buying interest in March 2,500 calls.

Tha March FT-SE index closed at 2,469, up 39 points, and in after-hours dealing it rose to 2,474. March's lead over the spot index finished unchanged at 14 points and reflected the short-term bullishness of the futures market.

On the traded options market, 50,045 lots changed hands, up from 36,742 in the previous session, and was weighted towards calls.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INT. BANK AND O'SEAS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990/91 High	Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
46⅞	35⅜	CPC Intnl. 25c	43	+1⅛	$2.00	–	2.4
930	358	California Engy	642	+53	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Chairman of British Invisibles

■ Sir Hugh Bidwell has been appointed to succeed the Earl of Limerick as non-executive chairman of BRITISH INVISIBLES from April 8. Sir Hugh is a director of BI representing the Corporation of London, a director of Riggs AP Bank, vice chairman of Allied-Lyons Eastern, and a director of Argyll Group.

■ Mr Trevor Newton, deputy chairman of YORKSHIRE WATER, has additionally been appointed group managing director. He is succeeded as group finance director by Mr Malcolm Batty, director of finance of Yorkshire Water Services, who is replaced by Mr Charles Tunley.

■ AEGON INSURANCE COMPANY (U.K.), Edenbridge, has appointed Mr Peter Sangster as a director.

■ POQET COMPUTER has appointed Mr Ron Leigh as UK sales director. He joins from IBM.

■ CHELTENHAM & GLOUCESTER BUILDING SOCIETY has appointed Mr David Lyon as assistant general manager (human resources). He was UK management development manager at Hewlett Packard. Mr Steve Powell has been promoted from lending controller to assistant general manager (lending).

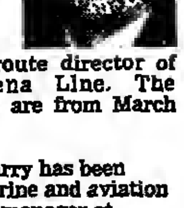
Executive post in East Germany

■ Mr Barry Hylton Davies, project finance manager, Mowlem Europe, Berlin, is being seconded to the TREUHANDANSTALT in Berlin (as Sonderbeauftragter). He is the first non-German to be appointed to a senior executive post with the Treuhandanstalt, the state trust authority responsible for the privatisation of industry in the former East Germany.

HTV restructures

■ HTV, the television company serving Wales and the west of England, has restructured in an attempt to ensure it retains its franchise when ITV licences are renewed. Sir Melvyn Rosser, chairman, and Mr Patrick Dromgoole, chief executive, are retiring, but Mr Dromgoole will remain on the group board. Mr Louis Sherwood, a non-executive director, takes over the chairmanship and Mr Charles Romaine, who heads an HTV marketing subsidiary, becomes chief executive. Mr Ron Evans, managing director of HTV West, one of the two main operating arms, will also retire at the end of this year to be replaced by Mr Ted George, a former director of engineering and a present board member. Two of the company's founder directors, Sir Geraint Evans and Mr George McWatters, are leaving together with Mrs Mairwen Gwynn Jones, Dr Glyn Phillips and Lord Oaksey.

■ SEA CONTAINERS has appointed Mr Bill Moses as managing director, Hoverspeed, in Dover, succeeding Mr Robin Wilkins (pictured) who becomes commercial director of Sea Container Ferries based in London. Mr Moses was route director of Sealink Stena Line. The appointments are from March 18.



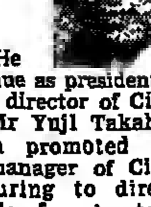
■ Mr Nick Parry has been appointed marine and aviation underwriting manager at MINSTER INSURANCE GROUP, which is owned by GAN, France. He was marine underwriter at CIGNA Europe.

■ ERNEST GREEN AND PARTNERS HOLDINGS has appointed Mr Ian Douglas as group marketing and business development director from July 1. Mr Peter Simmons becomes managing director of Ernest Green Partnership, main trading subsidiary, from the same date. Both continue on the main board.

■ Mr Stephen Down has been appointed managing director of WRIGHT OLIPHANT SEIYO CORPORATION, Tokyo, a joint venture between the Seiyo Corporation and Wright Oliphant.

■ INTERBREW BELGIUM, which sells Stella Artois and Jupiler, has appointed Mr Nick Holmes to the new post of executive director of Interbrew (UK). He was executive director for European operations at Courage.

■ Mr Morio Kiawa (pictured) has been appointed managing director of CITIZEN MANUFACTURING (UK), Scunthorpe, a subsidiary of Citizen Watch, Japan, and manufacturing arm of sister company, Citizen Europe, Uxbridge. He will continue as president and managing director of Citizen Europe. Mr Yuji Takahashi has been promoted from general manager of Citizen Manufacturing to director responsible for day-to-day running. Mr Seiichi Hayashi, a main board director of Citizen Watch Co, will also be made a director of Citizen Manufacturing. Mr Rokuro Otake, managing director of Citizen Manufacturing returns to head office in Japan



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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	£9¾	.....	Q28%	2.1	8.9	5.3
303	121	ANZ SA1	132	+3	Q38c	1.9	11.7	4.6
279	172	Abbey National 10p	276	+8	9.5	q3.0	4.7	9.4
*274	126	Allied Irish Ord	175	+1	†Q40%	3.3	5.1	7.9
85	47	Anglo Irish	60	.....	Q18.6%	2.3	7.0	7.9
93	41	Ansbacher (H.) 1p	41	.....	2.5	1.3	8.1	11.8
£71¼	£32⅞	Bancaire Cie Fr100	£54⅞	+3¼	Q12¼%	–	2.4	–
£22¼	£12½	Banco Bilbao Viz	£16¾	.....	Q49.1%	2.7	5.0	7.4
£58½	£21⅞	Banco de Santander	£28⅞	+⅛	Q28.7%	2.3	4.2	10.1
286	130	Bank Ireland I£1	190	+3	Q14.7%	2.9	6.9	6.7
£19½	£18	Bank Leumi	£19½	...	–	–	–	–
351	320	Bank Leumi (U.K.)£1	350	.....	16.0	–	6.1	–
142	100	Bank Scotland	141	+6	†4.55	3.4	4.3	9.0
110	83¼	Do. 9¼pc Irrd Pf £1	103¼	+1	9¼%	–	11.9	–
107¼	99½	Do. 9¾pc Irrd Pf £1	106½	–½	9¾%	–	12.2	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
457	290	Barclays £1	453	+11	21.15	q1.1	6.4	18.3
22	9	Benchmark 20p	9	.....	0.75	–	11.1	–
335	195	Brown Shipley £1	229	+5	‡12.0	2.2	‡	7.4
*458	285	Cater Allen £1	455	.....	F24.5	–	7.2	–
179	29	Chancery	36	.....	†9.0	2.7	‡	1.4
£23¼	£14	Commerzbk DM10	£18¼	+¼	Q18%	–	3.4	–
£13¼	620	Dai Ichi K Bk Y50	838	–6	Q17%	6.2	0.4	39.6
*£31½	£18⅞	Deutsche Bk DM50	£225⅞	+3⅞	Q28%	–	2.1	–
£20¾	£14⅝	Espirito Santo	£17	.....	075c	3.1	2.2	8.7
253	152	First Nat. Fin. 10p	199	+11	11.0	1.2	8.7	(11.8)
121	78	FNFC 6.5pc Cv Pf £1	103	+5	6.3%	–	8.2	–
£13¼	633	Fuji Bank Y50	1026	+35	†Q17%	6.9	0.3	43.7
340	262	Gerrard & National	340	+1	19.0	–	7.5	–
154	63	Guinness Mahon 10p	63	.....	1.45	–	3.1	–
328	194	Hambros 20p	301	+22	†11.5	–	5.1	–
128	88	Do 7.5pc Cv Pf £1	119	+3	7½%	–	8.4	–
53½	29	HK & Shang. HK$2.50	38	–½	KQ39c	–	6.9	–
478	373	Joseph (Leo) £1	413	+35	15.85	–	5.1	–
150	105	King & Shaxson 20p	140	+2	10.25	–	9.8	–
422	249	Kleinwort Benson Grp	362	+12	16.0	2.5	5.9	0.6
642	316	Kyowa Bank Y50	458	+23	Q14%	♦	0.7	♦
366	220	Lloyds £1	364	+9	13.3	q1.5	5.6	13.2
56	44	Lon. Scot. Bank 10p	56	+2	2.75	1.7	6.5	10.3
404	150	Midland £1	189	+2	9.0	–	6.4	–
£14½	£10⅞	Mitsubishi Bank Y50	£18⅞	...	HQ17%	♦	0.3	a
£12¾	£4⅞	Mitsubishi Tst & Bk Y50	£6⅞	+⅛	Q17%	12.4	0.6	12.8
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£7⅞	+⅛	†Q16%	6.0	0.4	39.9
904	410	Mitsui Tst & Bk Y50	536	+12	Q17%	♦	0.6	♦
326	203	Nat Aust. Bk A$1	239	+2	GQ55c	1.5	9.5	7.1
368	227	NatWest £1	338	+5	17.5	♦	7.1	♦
£210	£100	Ottoman Bank	£125	+5	Q110%	2.8	8.8	4.0
55	24	Rea Bros. Group	33	+1	0.5	3.2	2.0	16.5
227	119	Royal Bk. Scotland	204	+6	8.4	2.3	5.5	10.5
795	338	Saitama Bank Y50	458	+28	♦Q14%	♦	0.6	♦
£12¼	567	Sanwa Bank Y50	863	–6	Q17%	6.7	0.4	37.8
902½	613	Schroders £1	768	+12	h12.5	5.9	2.2	10.3
712½	413	Do. £1 N/V	538	+10	h12.5	5.9	3.1	7.3
£25¼	£9½	Sec. Pacific $10	£15⅞	–1¼	Q$2.52	–	8.1	–
616	205	Standard Chartd. £1	323	+29	35.0	1.4	14.4	(6.0)
£16¼	£5¾	Sumitomo Bank Y50	£8¾	+¼	HQ16%	7.5	0.4	34.5
£11	£4⅞	Sumitomo Tst & Bk Y50	£6⅝	+⅛	Q17%	6.9	0.5	27.1
162	114	TSB	159	.....	6.4	2.1	5.4	11.8
175	132	TSB Bank Ch'nel Is'1	143	+1	dQ8.0	3.8	5.6	5.8
£46⅜	£4¼	Tokai Bank Y50	£6¼	+⅛	Q16%	4.1	0.5	51.5
920	484	Toyo Tst & Bk Y50	664	–2	HQ15.2%	6.9	0.5	31.7
611	499	Union Discount £1	575	+3	35.0	♦	8.1	♦
525	284	Warburg (S.G.)	427	+23	15.0	5.0	4.7	9.6
180	98	Do 6pc Cnv Prf £1	140	+6	6%	–	5.7	–
279	128	Westpac $A1	162	+7	Q52.5c	1.2	11.2	6.2
420	286	Wintrust 20p	340	+18	†8.7	4.3	3.4	9.0
969	509	Yasuda Tst & Bk. Y50	652	+2	Q17%	5.9	0.5	32.6

Hire Purchase, Leasing, etc.

1990/91 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
175	30	CLF Yeoman 50p	30	.....	†Q18.5%	3.2	‡	1.4
71	40	Cambridge Grp Ir5p	58	.....	†Q7½%	15.6	0.6	12.1
55	11	Capital Leasing Ir10p	37	.....	†Q12%	3.5	3.2	9.1
*70	46	Cattle's (Hldgs) 10p	70	+3	K3.8	1.9	7.2	10.7
470	362	Prov. Financial	470	+11	23.5	♦	6.7	♦
*232	119	Reflex Invs. Ir5p	123	.....	†gQ51%	7.9	1.9	9.0
240	192	Secure Trust Grp. 1p	240	+5	†8.5	2.8	4.7	10.1
210	135	Woodchester IR20p	185	+5	†Q14.7%	5.9	1.6	13.8

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	675	......
Finlay Pkg. 5p.... β	31	......
Holt (Jos) 25p..... β	1318	......
Carrol (P.J.)........	154	......
Helton Hldgs....... γ	46	+1
IRG..................	150	......
United Drug.........	165	......

IRISH

Cap. 8½% Ln. 1991 ...	£99½	......
9pc Cap Ln. 1996..	£97¾	+⅛
Fin. 13% 97/02...	£114	......
Arnotts..............	160	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	33
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	25
T&N	13
Unilever	52
Vickers	16
Wellcome	53

Property	
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Pet/m	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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TSB Unit Trusts

Target Trust Mngrs Ltd

Templeton Unit Trust Managers Ltd

Thornhill Unit Trust Managers Ltd

Three Counties Asset Mngmt Ltd

Touche Remnant Unit Tst Mngt Ltd

Trades Union Unit Tst Mngrs

Triton Fd Mngrs. Ltd.

United Charities Unit Trusts

Wardley Unit Tst Mngrs Ltd

Waverley Unit Tst Mngmt Ltd

Wessex Asset Management

Whittingdale Unit Tst Mngt Ltd

Wolfson Financial Services Ltd

Woolwich Unit Trust Managers Ltd

Wright Seligman Fund Mngrs Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Tyndall Investment Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NPI Life Assurance Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Enrolife Assurance Group

Finsbury International Ltd

Fidelity Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

The Analysis Group PLC

Bryan Watts & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Edinburgh Money Management Ltd

Fairmount Gas Rails Ltd

Gartmore Fund Managers Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macarthey & Dowie F.S. Ltd

Northern Rings & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxburgh Financial Management Ltd

Rutland Ins Brg & Inv Grp ("RIBIG")

Shaw (Albert E) & Co.

Sifalia Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Baring Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Buckmaster Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dartmouth Management (Guernsey) Ltd

Fleet-Cowell Fund Mngrs (Guernsey) Ltd

John Govett Mngmt International Ltd

Hambros Fund Managers (CI) Ltd

Havelet Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit-taking limits dollar rise

PROFIT-TAKING and the fear of central bank intervention pulled the dollar back after it hit resistance at around DM1.5500 yesterday. The US currency touched a peak of DM1.5515, on comments by Mr Alan Greenspan, Federal Reserve Board chairman, but finished in London around 1 pfennig lower.

Mr Greenspan told a US congressional committee that the end of the Gulf war should help the economy by giving consumer and business confidence a boost, but that other problems - involving the property market and credit availability - will continua to restrain growth. He also said that the US current account deficit is likely to fall again this year after being cut significantly in 1990.

The Fed chairman added that he expects the US economy to turn around in the near future, but that February figures indicate it is still edging lower.

Analyats suggested Mr Greenspan's remarks did nothing to change the view that the Fed's monetary policy is on hold for the time being.

Financial markets are now waiting for tomorrow's news on US employment trends in February. The January employment data prompted an easing of the Fed's monetary stance at the beginning of last month, but a similar reaction is not expected this time.

At the London close the dollar had improved to DM1.5410 from DM1.5330; to Y136.15 from Y135.35; to SFr1.3445 from SFr1.3350; and to FFr5.2475 from FFr5.2225. On Bank of England figures the dollar's index climbed to 62.5 from 61.9.

Sterling lost ground to the dollar and most of its partners in the European Monetary System. The softer tone reflected expectations of a cut UK bank base rates around the time of the budget on March 19.

There was also some nervousness ahead of today's Ribble Valley by-election, after media speculation that tactical voting among supporters of opposition parties could provide a shock result in what is regarded as a safe seat for the ruling Conservative Party.

The pound fell 1.20 cents to $1.8900. It also declined to DM2.9125 from DM2.9150; to FFr9.9175 from FFr9.9325; and to Y257.25 from Y257.50, but was unchanged at SFr2.5400. Sterling's index fell 0.2 to 93.6.

The French franc remained the weakest member of the EMS exchange rate mechanism, slightly below sterling. The Spanish peseta rose above its ERM ceiling against the franc, boosted by interest rate differentials favouring Madrid.

In Lisbon Mr Jose Tavares Moreira, governor of the Bank of Portugal, said he wished to avoid Britain's mistake of prematurely aligning a currency within the ERM. He said that Portugal'a inflation rate of over 13 per cent must come down by five or six per cent before conditions are right for the escudo's entry, and that this could take two or three years.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8800 - 1.8940	1.8895 - 1.8905	1.00-0.98cpm	6.29	2.75-2.72pm	3.79
Ireland†	1.7200 - 1.7320	1.7310 - 1.7320	0.61-0.56cpm	4.05	1.73-1.63pm	3.88
Canada	1.1570 - 1.1610	1.1595 - 1.1605	0.29-0.32cdis	-3.16	0.86-0.91dis	-3.05
Netherlands	1.7350 - 1.7470	1.7360 - 1.7370	0.33-0.36cdis	-2.38	1.01-1.06dis	-2.38
Belgium	31.70 - 31.95	31.80 - 31.90	6.00-8.00cdis	-2.64	17.00-21.00dis	-2.39
Denmark	5.9185 - 5.9400	5.9350 - 5.9400	1.53-1.83oredis	-3.40	4.75-3.35dis	-3.40
Germany	1.5380 - 1.5510	1.5405 - 1.5415	0.29-0.31pfdis	-2.34	0.91-0.94dis	-2.40
Portugal	134.15 - 134.40	134.15 - 134.25	79-84cdis	-7.29	263-273dis	-7.99
Spain	95.80 - 96.40	96.10 - 96.20	61-65cdis	-7.86	174-181dis	-7.38
Italy	1150.20 - 1158.00	1150.75 - 1151.25	5.20-5.70liredis	-5.68	15.50-16.50dis	-5.56
Norway	6.0180 - 6.0550	6.0350 - 6.0400	1.90-2.25oredis	-4.12	5.90-6.40dis	-4.07

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

German call eases

CALL MONEY declined to 8.80 from 8.85 per cent in Frankfurt yesterday after the Bundesbank injected a net DM12.8bn into the German banking system at a securities repurchase agreement tender.

Much of this was be required to repay funds held by the central bank on behalf of public anthorities, and lant to the market earlier this month under section 17 of the Bundesbank act.

The amount repayed yesterday was estimated at around DM10bn, plus DM1.3bn of Lombard borrowing.

At yesterday's tender the Bundesbank accapted bids of DM46.1bn, compared with two expiring facilities of DM33.3bn. Funds were provided via DM35.1bn of 28-day money at a fixed 8.50 per cent. Another DM11.0bn of 57-day funds were allotted, mostly at rates of 8.75 and 8.80 per cent.

In London short-term rates bad a slightly softer tone. Three-month sterling interbank was quoted at 12⅝-12½, against 12⅝-12½ per cent previously, whila 12-montb monay was unchanged at 11⅞-11¾ per cent.

Short-sterling futures weakened on Liffe, with June the most active month. June delivery opened higher at 88.79, but closed at 88.72 compared with 88.77 on Tuesday.

Day-to-day credit was in ahort snpply on the casb market. The Bank of England initially forecast a shortage of £1,350m, bnt revised this to £1,300m in the afternoon. Total assistance of £1,105m was provided.

An early round of help was offered and at that time the authorities bought £93m bills, inclnding £33m bank bills outright in band 2 at 12⅞ per cent. Another £60m bills were purchased for resale to the market on April 5 at 12⅞ per cent.

Before lunch £295m bills were bought outright, via £115m Treasury bills in band 1 at 12⅞ per cent; £95m bank bills in band 1 at 12⅞ per cent; and £85m bank bills in band 2 at 12⅞ per cent. In the afternoon £567m bills were purchased, by way of £211m bank bills in band 1 at 12⅞ per cent and £356m bank bills in band 2 at 12⅞ per cent. Late assistance of around £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,084m, with Exchequer transactions absorbing £100m, a rise in the note circulation £85m and bank balances below target £100m.

UK clearing bank base lending rate 13 per cent from February 27, 1991

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

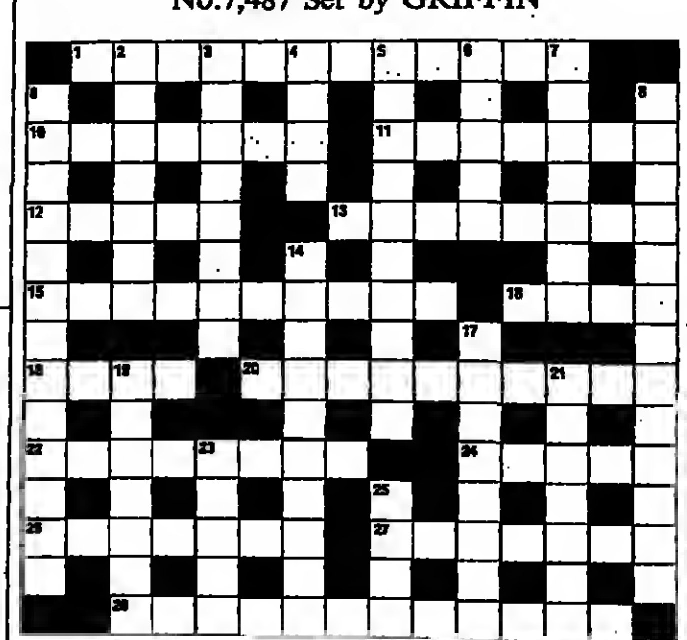
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,487 Set by GRIFFIN



Ten clues have no definitions but the answers are all of a kind.

ACROSS

1 Drink to head boy first (5,2,5)
10 "Without iron" is clearly indicated (7)
11 Drunk starts taking port round (7)
12 A light in the bay? (5)
13 Singer unhappy with prison sentence (8)
15 31 days in sea on manoeuvres (10)
16 Name supporter going ahead (4)
18 Loud coat, turn-back collar (4)
20 It makes life safer for people on a flight (10)
22 On way in, chip saucepans may be (3-5)
24 Alert member tails a trainee (5)
26 You say Luke's broken the French guitar? (7)
27 Beginning the first letter (7)
28 Dr blames ECG breakdown on gravity (9,3)

DOWN

2 Without meaning it, Major turns up in Ely (7)
3 Want Heather to be provocative (8)
4 When to stand around a kiln (4)
5 Ring up after reptiles on film (6,4)
6 Porter is hiding in passage (5)
7 Shabbier volunteers row about last night (7)
8 More gunmen lie camouflaged (5,8)
9 Front of napkin thick in fish extract (9,4)
14 Laugh wildly, embracing a boy (5,5)
17 Made firm place stamp inside (8)
19 Use wheels beneath tender (7)
21 Mother's put in a zip — it's astonishing! (7)
23 Father leaves the pair of them (5)
25 Tried opening faulty money-box (4)

Solution to Puzzle No.7,486

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE | JAPAN

CANADA

TORONTO

3:00 pm prices March 6

MONTREAL

3:00 pm prices March 6

11700 Sceptre Rs	380	300	380	+5		
700 ScottPaper	u$19	19	19			
58800 Scotts Hos	518⅛	15½	16¾	+⅝		
4700 Videotron x	514⅛	14	14	−⅛		

Total Sales 18,984,190 shares

INDICES

NEW YORK

DOW JONES	Mar. 5	Mar. 4	Mar. 1	Feb. 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2972.52	2914.11	2909.90	2882.18	2972.52 (5/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.76	93.76	93.73	93.79	94.86 (15/2)	91.30 (9/1)	95.51	54.99 (1/10/81)
Transport	1166.26	1142.45	1150.74	1131.37	1166.26 (5/3)	894.30 (9/1)	1532.01 (9/10/89)	12.32 (8/7/32)
Utilities	213.85	212.02	213.34	212.78	217.62 (11/2)	199.64	236.23 (21/1/90)	10.50 (8/4/32)

Day's High 2995.54 (2950.74) Low 2883.86 (2897.03)

STANDARD AND POOR'S								
Composite ‡	376.72	369.33	370.47	367.07	376.72 (5/3)	311.49 (9/1)	376.72 (5/3/91)	4.40 (1/6/32)
Industrials	447.21	437.60	438.58	435.00	447.21 (5/3)	364.90 (9/1)	438.58 (1/3/91)	3.62 (21/6/32)
Financial	29.15	28.57	28.63	27.94	29.15 (5/3)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	205.74	202.08	202.40	200.70	205.74 (5/3)	170.97 (9/1)	205.74 (5/3/91)	4.46 (25/4/42)
Amex Mkt. Value	354.39	349.80	348.14	346.13	354.39 (5/3)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	473.05	461.13	456.73	453.05	473.05 (5/3)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar. 1	Feb.22	Feb.15	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.47	3.44	4.11

	Feb.27	Feb.20	Feb.13	year ago (approx.)
S & P Industrial div. yield	2.89	2.19	2.91	3.36
S & P Indl. P/E ratio	17.75	17.77	17.89	14.32

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Nabisco RJ	6,938,400	10	+ ¼
First Bank	4,906,100	18½	+ ⅛
Philip Morris	3,618,000	67⅛	+ 2¼
Westinghouse	3,110,400	29⅝	+ 1⅜
Savin Bus	2,842,300	⅛	.. ....
Adv Micro	2,662,300	10	+ ⅞
Am. Express	2,660,500	26¼	+ 1
Pepsico	2,632,000	33⅞	+ 2
IBM	2,478,900	133½	+ 2⅞
Boeing	2,424,600	50¼	+ ¼

TRADING ACTIVITY

† Volume Millions	Mar. 5	Mar. 4	Mar. 1
New York	253.700	199.830	221.510
Amex	18.560	17.550	18.710
NASDAQ	224.878	149.792	160.529
Issues Traded	2,057	2,040	2,031
Rises	1,269	1,025	946
Falls	386	587	629
Unchanged	403	428	456
New Highs	183	107	72
New Lows	5	6	3

CANADA

TORONTO	Mar. 5	Mar. 4	Mar. 1	Feb. 28	1991 HIGH	1991 LOW
Metals & Minerals	3284.18	3221.57	3150.33	3114.02	3284.18 (5/3)	2632.06 (9/1)
Composite	3561.90	3519.06	3471.42	3462.37	3561.90 (5/3)	3161.95 (15/1)
MONTREAL Portfolio	1888.19	1861.90	1832.47	1825.80	1888.19 (5/3)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar. 6	Mar. 5	Mar. 4	Mar. 1	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1413.4	1375.0	1387.2	1395.2	1413.4 (6/3)	1204.5 (16/1)
All Mining (1/1/80)	628.4	599.3	604.6	607.8	628.4 (6/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	508.25	491.19	489.59	490.29	508.25 (6/3)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5740.84	5634.74	5621.11	5617.36	5740.84 (6/3)	4664.04 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	347.34	346.19	345.91	349.71 (25/2)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1028.8	1015.6	1014.0	1013.3	1028.8 (6/3)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	483.81	472.14	468.01	466.12	483.81 (6/3)	394.88 (15/1)
CAC 40 (31/12/87)	1821.01	1800.63	1766.74	1746.79	1821.01 (6/3)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	673.68	659.47	661.92	648.67	678.31 (25/2)	570.48 (15/1)
Commerzbank (1/12/53)	1917.2	1875.7	1854.9	1845.1	1936.1 (25/2)	1612.5 (15/1)
DAX (30/12/87)	1594.32	1540.26	1530.86	1516.74	1601.15 (25/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3647.33	3600.49	3564.34	3552.37	3647.33 (6/3)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1420.36	1396.80	1386.20	1382.88	1420.36 (6/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	576.72	562.50	561.22	561.46	582.09 (25/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26382.99	25913.48	25976.02	25881.57	26462.76 (25/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1958.21	1928.98	1925.80	1931.66	1963.44 (25/2)	1625.80 (17/1)
2nd Section (4/1/68)	3082.01	3026.07	3002.84	2991.81	3082.01 (6/3)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	596.29	577.55	567.83	559.51	596.29 (6/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	257.3	251.5	250.5	249.0	257.3 (6/3)	221.4 (16/1)
CBS All Shr (End 1983)	188.1	183.9	183.2	182.1	188.1 (6/3)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	730.49	711.28	704.58	692.52	730.49 (6/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	967.26	941.09	933.50	962.56	1006.04 (25/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	410.69	403.14	398.89	395.43	410.69 (6/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1070.04	1088.0	1083.0	1082.8	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3259.04	3214.0	3200.0	3198.8	3259.0 (6/3)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	676.37	669.83	670.42	(c)	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	(u)	264.13	263.03	261.63	267.41 (25/2)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1088.3	1067.6	1064.0	1062.2	1088.3 (6/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	726.4	712.4	705.4	694.6	726.4 (6/3)	590.4 (14/1)
SBC General (1/4/87)	603.6	593.5	589.0	582.2	603.6 (6/3)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4487.84	4527.51	4624.84	4955.33	5181.98 (21/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	803.21	787.10	787.57	790.46	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	523.2*	520.4	513.0	514.8	524.2 (18/2)	439.1 (16/1)

**Saturday March 2: Taiwan Weighted Price: 4644.45, Korea Comp Ex. 677.55.
*Calculated at 15.00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday December 28

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Minebea	28.5	1,140	+120	M'bishi Elec	13.0	809	+29
Toshiba	22.7	895	+17	NEC	18.7	1,700	+70
M'bishi Heavy	21.9	798	-14	Sumitomo Metal	10.0	522	+6
Hitachi	21.0	1,330	+40	Ebara	8.8	1,820	+70
Fujitsu	14.2	1,230	+70	Dowa Mining	8.7	812	+22

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. ‡ Malaysian prices unavailable at source.

3:00 pm prices March 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	0¼	AAR Corp				82168	u14⅜	14½	14⅝	+½
25¾	21⅝	A L Labs A	0.16	0.21	19	1072	25	24⅞	25	+⅝
54⅞	40⅞	AMP Inc	1.44	0.03	19	3351	54	53	53¾	+⅝
62⅞	44⅛	AMR				984578	u63	61¾	62	-¼
2⅞	1¼	ARX			2	812	1¾	1⅝	1⅝	+⅛
40¾	41½	ASA	3.00	0.06	13	2065	47¼	46½	40⅞	+1¼
47⅞	30¼	Abbott Lab			26	12512	40⅞	46	46⅞	+⅛
12	0⅞	Abitibi Pf	0.50	0.04	19	86	u15¼	12⅛	13¼	+⅛
11⅞	10⅞	ACM Gvt In x				463	11	10⅞	11	
9⅞	8¾	ACM GvOpp x				72	9¼	9¼	0¼	
9	8¼	ACM Gvt Sp x	0.34	0.04		324	8⅞	8¾	8⅛	
10¾	9⅞	ACM Gvt Se				452	10½	10½	10⅝	-⅛
8¼	7⅝	ACM Man x				1025	8	7¾	7¾	-⅛
72⅞	11⅞	ACM Mangd x				115	12½	12⅜	12½	
7¼	4¾	Acme Cleve	0.40	0.00	20	161	u7¼	7⅛	7½	+⅛
8	4¾	Acme Elect			18	68	5⅛	5	8	
37⅞	22¾	Acuson			27	1976	28¾	36⅞	36½	-⅛
17	14⅛	Adams Expr	0.46	0.02	0	169	u17⅛	16⅞	17	+⅛
20	18⅞	Adobe12Pf				153	10¼	18⅝	19¼	+⅜
8¼	7½	Adobe Res			23	295	8	0⅞	0⅞	
28¾	19	Ad Micro 4				98	28⅞	27⅝	27⅞	-⅛
10⅛	4⅞	Ad Micro P	0.02	0.31	16	1509	10	0⅞	0⅞	-⅛
4⅛	2¼	Advest Grp			5	583	u4⅞	4	4	+¼
48⅞	33⅞	Aetna Lf	2.76	0.06	7	2304	48⅞	48	40	+¼
10⅞	8¾	Aftl A	0.24	0.02	26	781	10⅞	10	10	-⅛
10½	12	Ahmenson	0.00	0.05	26	187	u16⅞	19½	18⅛	-¼
3⅞	2⅞	Aileen Inc			7	74	5½	3¼	3½	
66⅞	51⅜	Air Pr Chm			15	3383	u68¼	67½	68⅝	40
26	16⅝	Airbne Frt	0.30	0.01	12	711	23	22¾	22⅞	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58½	47⅞	Quaker Oat	1.56	0.03	12	675	u58½	57½	57⅛	-⅛
12⅞	9⅜	Quaker St	0.60	0.05	16	375	12⅛	12¼	12⅛	-⅛
18¼	11⅛	Quanex	0.48	0.03	6	511	u16¼	16	16	-⅛
18⅞	11½	Quantum Ch				222469	16⅛	17⅞	17⅞	+⅛
14¼	10½	QuestVal D				380	u14⅛	14⅛	14¼	
13½	12⅞	QuestVal P				206	13⅛	13¼	13⅛	+⅛
39¼	33⅛	Questar	1.96	0.30	13	504	u39⅝	37⅞	27⅞	-⅛
16¼	10	Quick Rly x	0.28	0.02	15	287	u16¼	17¼	13⅛	+¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 20 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices March 6

NASDAQ NATIONAL MARKET

3:00 pm prices March 6

AMERICA

Dow flirts with 3,000 level as optimistic mood holds

Wall Street

WALL Street reached a record high yesterday on optimism about the prospects of a revival in the US economy, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 20.30 higher at 2,992.82. The Dow crossed the historic 3,000 level several times during the morning but seemed unable to hold on to its sharp gains. Volume was very heavy, with more than 184m shares changing hands hy 1.30 pm. The Standard & Poor's 500 was up 2.74 to 379.46 end the New York Stock Exchange Composite was 1.20 higher at 206.94.

K-Mart improved $1¼ to $39⅞ after unveiling, late on Tuesday, fourth quarter profits of $2.01 a share compared with operating income of $1.97 a share the previous year.

Chrysler was one of the few losers, dropping $⅝ to $13⅞ in active trading. Several analysts expect the automaker to slash its 30 cent quarterly dividend today. But shares in other US automakers moved higher at midsession, with General Motors rising $⅝ to $41 and Ford Motor adding $1 to $34⅞.

British Telecom jumped $3 to $64 after PaineWebhar increased its investment rating for the stock.

Among hlue-chips, Philip Morris rose $¾ to $68¼ and American Telephone & Telegraph added $½ to $34¾. IBM, which has been lagging behind other computer stocks, put on $⅝ to $134⅛. Compaq Computer climbed $1⅛ to $72⅝ and Digital Equipment was $1⅛ higher at $80⅝ at midday.

In the secondary market, a faderal court ruling that Amgen's patent on its Epo drug is valid and is infringed upon by a drug developed by Genatlcs Institute helped shares in the company climh $12¼ to $113¼ in active trading. The ruling partly reverses an earlier court judgement that each had valid patents for the drug, which stimulates the production of blood cells. Shares in Genetics Institute crashed $24¼ to $37¾.

Johnson & Johnson, which has exclusive marketing rights for Epo in the non-dialysis market in the US and in all worldwide markets except Japan and China, leapt $5 to $88¼. The company is expected to benefit from the Amgen ruling.

Immunex added $2 to $54½ after the company received approval from the Food & Drug Administration to market a product used to prevent infections associated with treating cancer.

Technology issues contributed to yesterday morning's rally. Intel rose $1 to $52⅞, Oracle Systems rose $⅛ to $9⅝ and Seagate Technology added $⅜ to $16¼.

Among technology bellwethers, Apple Computer was $1⅝ higher at $64½. Microsoft, however, fell $1¼ to $110¼.

Canada

TORONTO showed gains at midday, althongh it was off early highs, on renewed interest rate hopes. At midsession the composite index was 33.7 higher at 3,596.5 after hitting 3,598.06 earlier. Advances led declines by 345 to 143 on heavy volume of 22.13m shares.

Gold shares recovered. Placar Dome rose C$⅜ to C$17¼. American Barrlck firmed C$⅞ to C$24⅞. Echo Bay gained C$¼ to C$9½ and Corona class A gained C$¼ to C$8⅞. Inco, which plans to issue C$150m in dabentures, eased C$⅝ to C$37⅞.

SOUTH AFRICA

JOHANNESBURG followed the glohal npswing. An easier financial rand also helped. The all-share index rallied 34 to 2,862 and the industrial index firmed 45 to 3,259. But the all-gold index fell 18 to 1,070 as bullion prices stayed at $364.

Caution governs Vienna despite recent advances

Foreigners have not returned, says **Judy Dempsey**

THE END of the Gulf war is giving the Vienna bourse a much-needed fillip, but traders in the Austrian capital remain cautious about prospects.

This caution may seem surprising. The Austrian economy is buoyant. Gross domestic product this year is expected to grow 3.3 per cent, compared with 4.5 per cent last year. This makes it one of the strongest economies among the OECD countries.

The country's current account balance for 1990 closed with a surplus of Sch8bn ($740m), nearly Sch7bn more than in 1989. The opportunities, particularly for Austrian construction companies, in Germany are considerable, given that sections of the German market are at full capacity. Germany accounts for 35 per cent of Austria's exports and 43 per cent of its imports.

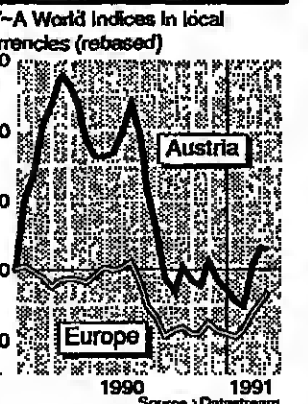
The socialist-led coalition government intends to reduce state holdings to less than the current 51 per cent, which means that the exchange can expect more listings and the budget deficit will be reduced further.

These trends, however, are not inspiring optimism among Viennese traders. Mr Christian Gutlederer, a senior house official, points out that the exchange still has much ground to regain since August, when Iraq invaded Kuwait.

The bourse index stood at 713 just before the invasion, and closed at 502.26 on the last day of trading in 1990, a loss of 30 per cent. Prices started to pick up two weeks ago: yesterday the index advanced 13.27 to 565.13, a rise of 12.5 per cent so far this year. Mr Gutlederer says: "We will be very lucky if we gain 20 per cent by the end of the year."

Volume of trading on the stock axchange was also affected hy the Gulf war. Although turnover during 1990 totalled Sch220bn, an increase of 200 per cent from Sch75bn the previous year, the activity was concentrated in the first half. "It was very low in the second half of last year. Foreign investors withdrew," explains Mr Gutlederer.

The war also meant that listings planned for spring this year were postponed. Three companies, including Schardinger, the food processing group, Zentralsparkasse, the savings and loans bank, and Econonos, which manufactures seals and other engineering products, will be listed next month. This will increase the exchange's market capitalisation by Sch1bn to Sch308bn.



However, a trader from one of Vienna's private banks believes this will not fuel a sustained rally, because of the negative developments in both Germany and the new democracies of eastern Europe. Although construction companies such as Wienerberger are building in Czechoslovakia, Hungary and Germany, the poor state of the economies in the region is creating an economic and psychological deterrence for domestic investors.

A private banker explains: "Austrian bankers say Austria will gain all the benefits but will not share any of the burden in rebuilding the economies of eastern Germany and other eastern neighbours. This is the case in the short term, but the costs of transforming the economies of the region will be enormous for all the European countries.

"Taxes are increasing in Germany. The situation in Yugoslavia is very unstable. That is why we are cautious and realistic about how much, in reality, we can gain from the economic reconstruction of eastern Europe. Remember, these countries have no capital to speak of," he concludes.

People in close touch with the Vienna exchange, such as Mr Josef Oswald, head of the securities research department at Creditanstalt Bankverein, the country's largest bank, try to be upbeat about the future.

"We hope the foreign investors will return," says Mr Oswald. "At the moment, the domestic private investor is making the running here. Compared to the late 1980s, when only 1.5 per cent of the population bought shares, today, over 4 per cent hold shares."

Mr Oswald also reckons that the construction industry, already involved in the costly World Exhibition which will be hosted jointly in 1995 by Vienna and Budapest, might boost the exchange.

Confidence, however, depends on company profits. Last year, company results across the board showed marked decreases. There may be a turnround this year, but Mr Gutlederer believes it will not be enough to provide a sustained rally.

As one private banker says: "We are very cautious. I would not be prepared to make any recommendatlons at the moment. This is a time for reflection."

EUROPE

Liquidity-led rally continues in frothy trade

THE liquidity-driven rally continued yesterday, but the approach of many brokers' year-end targets and the frothy nature of the markets sounded alarm bells for some, *writes Our Markets Staff.*

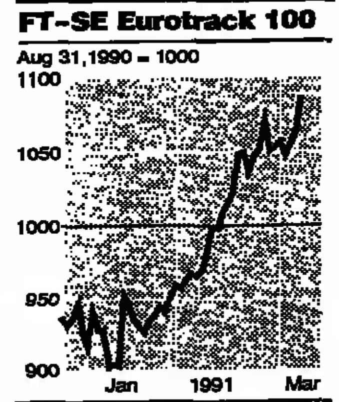
FRANKFURT accelerated from a 14.21, or 2.1 per cent rise to 673.68 in the FAZ index at midsession to a gain of 54.06, or 3.5 per cent to 1,594.32 in the DAX at the close. This was its best one-day climb since January 17 and a new closing high for the year.

Volume reflected foreign buying, rising from DM5.8bn to DM9.0bn. Mr Jens Wiecking of Merck Finck in Düsseldorf said that prices had been catching up with late closing markets like Paris. He noted that German institutions' cash positions had fallen from 30 to 10 per cent in the month to mid-February.

The buying concentrated on the more liquid stocks. Volkswagen rose DM20 or 5.6 per ceot to DM380, Bayer was up DM12.00 or 4.8 per cent to DM272.50 and Hoesch rose DM14 or 5.8 per cent to DM254.

Utilities, disregarded recently as domestic investors focused more on the problems rather than the prospects in east Germany, came back into favour with RWE up DM19 to DM402.50 and Veba, due to report 1990 results today, DM17.20 higher at DM343.70.

FT-SE Eurotrack 100



FT-SE Eurotrack 100 - Mar 6

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1086.15	1086.85	1088.43	1089.23	1092.17	1093.99	1092.50	1089.64

Day's High 1095.41 Day's Low 1085.98

Mar 5	Mar 4	Mar 1	Feb 28	Feb 27
1064.17	1054.99	1045.70	1058.74	1056.65

Base value 1000 [illegible]

There were arguments for caution. First, chart resistance was perceived at 1,600 on the DAX. Secondly, on the Deutsche Terminbörse, the put to call ratio nearly doubled from around 2:1 to 4:1.

ZURICH contrasted gains in banks and cyclical industrials with the painful contraction of Mr Werner Rey's empire. The Crédit Suisse index rose 10.9, or 2 per cent to 559.8.

Omni, Mr Rey's holding company, dropped SFr380 to SFr260 on its return from suspension, having announced that it would apply for court protection from its creditors. Adia, the employment agency group in which Omni was selling a 53 per cent stake, a deal now under review, fell SFr20 to SFr900; Sulzer, the textile machinery producer in which Omni has 30 per cent of the registered shares, fell SFr20 to SFr445.

PARIS came off its highs in active trading as investors took profits and more selling was expected. The market has gained 7.6 per cent in the current trading account.

The CAC 40 index closed 20.38 or 1.1 per cent up at 1,831.01, a seven-month high. Turnover swelled from about FFr3.1bn to about FFr4.7bn, the best level since the day after the Gulf war started.

Construction stocks continued to attract demand on Middle Eastern hopes. Poliet leapt FFr43 or 8.2 per cent to FFr565 with 141,150 shares traded. Rémy et Associés was also strong, rising FFr15 or 6.4 per cent to FFr251.

AMSTERDAM ran into some late profit-taking but still closed at a high for the year. The CBS tendency index reached 93.5, before closing 1.8, or 2 per cent, higher at 92.6. Turnover soared to Fl 1.27bn from Fl 798m.

Elsevier, the publisher, bounced back Fl 2.70 to Fl 77.80 after falling on Tuesday during the placing of the Pearson stake. Polygram, the music company controlled by Philips, rose Fl 2.30 to Fl 35.50 following its good results on Tuesday. The company meets UK and US analysts today.

MILAN surprised many with its strength as the Comit index put on 14.22 or 2.5 per cent to 576.72 in volume estimated at more than Tuesday's L120bn.

Generali rose L830 to L35,500. In its preliminary 1990 results, the insurer said that premium income rose 12 per cent, in line with expectations, and reiterated that net profits were unchanged. But signs that the dividend would be held steady or even slightly reduced disappointed some analysts.

STOCKHOLM reached a high for the year. The Affärsvärlden General index rose 20.7 or 1.9 per cent to 1,088.3 in volume of SKr795m; one of the highest ever and double Tuesday's SKr390m.

Rumours that Sandvik, the steel and tool making group, would bid for SKF, the ball-bearing maker, pushed SKF free B shares SKr8.5 higher to SKr102. The president of Sandvik denied the rumours and analysts gave little credence to the speculation.

MADRID's rally continued, although share prices closed below their highs. The general index ended 3.56 or 1.4 per cent up at 271.85, after finishing the morning session at 273.79.

Nissan Motor Iberica declined again after its dividend cut, losing Pta33 or 5.7 per cent to Pta542.

BRUSSELS encountered demand for industrial shares which had suffered last year. The cash market index added 106.1 or 1.9 per cent to 5,740.84.

Générale de Banque rose BFr80 to BFr5,360 after reporting a good recovery in 1990 net profits and a small increase in the dividend. Among industrials, Acec-Union Minière jumped 5.5 per cent or BFr155 to BFr2,965.

OSLO's all-share index jumped 12.49 or 2.5 per cent to 503.20 in hectic trading worth NKr686m. ISTANBUL recouped 5.1 per cent after its recent weakness, the 75-share index rising 226.34 to 4,691.02.

ASIA PACIFIC

Nikkei tops 26,000 on index-linked buying

Tokyo

WALL STREET's surge and hopes of a short recession in the US encouraged index-linked buying in Japan yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei average finished at 26,382.99, up 469.51, exceeding the 26,000 level for the first time in four days. The index opened at the day's low of 25,981.70 and reached the high of 26,389.94 just before the close.

Volume increased from 550m to 650m shares. Rises led falls by 731 to 262, with 141 issues unchanged. The Topix index of all first section stocks climbed 29.23 to 1,958.21, and in London the ISE/Nikkei 50 index firmed 6.59 to 1,521.70.

Mr Tatsuo Kurokawa at Nomura Securities said some domestic institutions were returning. Foreigners were net buyers, but Mr Kurokawa added that they were not as aggressive as in February.

Concern over arbitrage positions, with March futures and options expiring today, was dispelled. Miss Benedicte Ivey at Credit Lyonnais Securities said: "It was ideal for arbitrageurs to unwind positions with the surge on Wall Street to back up the market."

Technology and pharmaceutical shares led the advance, and export-oriented electricals gained over 3 per cent. Sony rose Y160 to Y7,010, surpassing the Y7,000 level for the first time since February 26.

Daiichi Pharmaceutical put on Y70 to Y2,390. The stock has been strong recently on news that Daiichi has started testing a new AIDS drug in the US.

Kumagai Gumi, a leading contractor, fell Y13 to Y960 on reports that its pre-tax profit for fiscal year 1991 will grow only by 2 per cent. Other contractors lost ground initially but recovered in the afternoon. Tobishima added Y80 at Y1,120.

Speculative issues were traded actively by individuals. Itoman, the trading company trying to restructure itself following stock and land losses, rose Y100 or 14.7 per cent to Y780. Minebea, the leading miniature bearings maker, was the day's most active stock, gaining Y120 to Y1,140.

Seven-Eleven Japan moved ahead Y280 to Y6,930, while Shima Seiki, which announced a 50 per cent scrip issue, climbed Y1,400 to Y16,000. These stocks were expected to be included in a Y30bn investment fund, "New Premium Fund 91-03", to be launched by Nikko Securities on March 20.

In Osaka, the OSE average rose 340.20 to 29,035.72 on volume of 72.6m shares. Nintendo added Y1,200 at Y23,000.

Roundup

ALL PACIFIC Rim markets, except Taiwan, responded to the gains on Wall Street and in Tokyo. Bombay was closed.

AUSTRALIA forged ahead 2.6 per cent in spite of poor January balance of payment figures. A fall in the domestic dollar encouraged overseas buying and interest in metals stocks. The All Ordinaries index jumped 38.4, its biggest one-day gain since October 1989, to 1,413.4 in turnover of A$259m, up from A$190m.

Mining concern CRA rose 80 cents to A$11.50 in spite of reporting a 27.1 per cent fall in operating profits after tax in 1990 and a dividend cut. NAB recovered 10 cents to A$5.58 after announcing a big rights issue last week.

SINGAPORE advanced in record turnover of 271.5m shares valued at S$445.1m, after 185.1m shares worth S$334.3m on Tuesday. There was busy trading in United Industrial Corporation on rumours that it would issue new paper to reduce debt. The Straits Times Industrial index added 24.45 at 1,509.17.

KUALA LUMPUR made its biggest single-day gain since October. The composite index moved ahead 18.74 or 3.2 per cent to 596.29 in turnover of 153.3m shares, against 97.7m.

TAIWAN fell for the second day. The weighted index closed 39.67 lower at 4,487.84 after rising more than 100 points at the start. Turnover increased to T$36.6bn from T$33.9bn.

NEW ZEALAND rallied after a three-day drop. The Barclays index improved 24.59 to 1,348.46, while turnover expanded to NZ$12.5m from NZ$9.9m.

HONG KONG surged 1.8 per cent in strong trading. The Hang Seng index climbed 46.84 to 3,547.28 in turnover up from HK$2.02bn to HK$2.46bn, the heaviest since early August.

SEOUL was led higher by manufacturing shares after news that the Finance Ministry was considering easing credit controls for manufacturing companies. The composite index ended at 676.57, up 6.94, after active volume of Won264.2bn (Won143.9bn).

MANILA saw demand for oil issues. The composite index put on 26.17 or 2.7 per cent to 987.26 in volume of 130m pesos.

JAKARTA's index moved up 3.82 to 382.41 in thin volume and BANGKOK's SET index added 16.11 at 893.21 on turnover of 4.9bn baht.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 5 1991								MONDAY MARCH 4 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	127.50	−1.4	99.38	109.09	101.62	109.57	−1.1	6.18	128.31	101.06	110.76	103.30	110.73	158.31	112.74	140.51
Austria (18)	215.46	+1.1	167.94	184.34	171.72	170.71	+0.5	1.60	213.02	166.49	182.46	170.17	170.24	285.63	167.00	267.68
Belgium (60)	149.18	+0.2	116.29	127.63	118.90	118.07	+0.0	5.08	148.91	116.38	127.54	118.95	118.05	160.02	121.73	137.32
Canada (116)	141.10	+1.2	109.98	120.72	112.45	118.01	+1.1	3.39	139.46	109.00	119.45	111.40	116.69	153.61	121.24	141.96
Denmark (32)	264.65	+1.0	206.29	226.43	210.93	212.10	+0.9	1.63	261.97	204.74	224.39	209.27	210.13	277.62	217.74	250.05
Finland (21)	115.12	+1.2	89.73	98.49	91.75	89.11	+0.5	3.16	113.80	88.94	97.48	90.91	88.64	152.29	90.61	146.73
France (113)	151.28	+2.0	117.90	129.40	120.54	123.91	+1.8	3.33	148.35	115.94	127.09	116.50	121.71	168.85	121.85	146.13
Germany (88)	118.99	+1.5	93.53	102.68	95.63	95.63	+1.2	2.39	118.27	92.43	101.31	94.47	94.47	144.63	101.38	126.04
Hong Kong (46)	146.09	+0.8	113.88	124.99	118.44	146.13	+0.8	4.59	145.00	113.32	124.16	115.83	145.04	147.49	112.24	120.25
Ireland (16)	171.50	+0.9	133.68	146.73	136.68	138.64	+0.6	3.30	169.94	132.82	145.56	135.75	187.78	198.57	132.38	185.60
Italy (91)	83.68	+0.2	65.22	71.59	66.69	71.55	+0.0	3.53	83.49	65.25	71.51	96.69	71.58	109.26	72.05	94.73
Japan (453)	139.12	+0.3	108.44	119.03	110.89	119.03	+0.2	0.72	138.71	109.41	118.81	110.82	118.81	197.26	106.58	162.40
Malaysia (34)	236.09	+2.1	184.02	201.98	188.15	247.99	+2.2	3.04	231.34	180.80	198.14	184.79	242.74	250.89	182.96	234.96
Mexico (12)	612.32	+0.4	477.30	523.88	488.02	1991.36	+0.4	0.34	609.84	476.62	522.34	487.16	1982.64	613.96	324.53	385.52
Netherland (40)	143.47	+0.8	111.83	122.75	114.35	113.12	+0.5	4.82	142.34	111.24	121.91	113.70	112.52	149.03	125.70	151.97
New Zealand (15)	47.05	−1.0	36.67	40.25	37.50	41.78	−0.9	8.13	47.51	37.13	40.70	37.95	42.17	75.36	41.16	65.30
Norway (30)	219.02	+0.9	170.72	187.39	174.56	178.29	+0.9	1.63	217.00	169.59	185.86	173.35	176.65	276.79	182.24	242.40
Singapore (25)	201.28	+1.8	156.90	172.21	160.42	160.70	+1.5	2.26	198.19	154.89	169.75	158.31	158.37	209.24	147.24	193.38
South Africa (60)	204.84	+1.9	159.67	175.25	163.26	141.48	+1.1	3.88	200.95	157.05	172.11	160.52	139.89	251.39	151.50	198.20
Spain (41)	166.70	+1.8	129.94	142.63	132.86	120.67	+1.7	4.70	163.76	127.98	140.27	130.81	116.80	182.25	128.54	147.41
Sweden (27)	167.49	+1.2	153.94	168.97	157.40	166.42	+1.1	2.48	195.09	152.47	167.10	155.65	184.62	234.63	146.60	180.15
Switzerland (65)	97.76	+1.1	76.20	83.64	77.92	80.91	+0.8	2.53	96.74	75.61	82.86	77.29	80.25	109.77	82.17	93.21
United Kingdom (296)	185.14	+1.8	144.31	158.38	147.54	144.31	+1.5	4.88	181.93	142.19	155.81	145.32	142.19	185.14	139.87	146.51
USA (526)	152.63	+2.0	118.97	130.59	121.65	152.63	+2.0	3.21	149.65	116.96	128.19	119.55	149.65	152.63	119.06	136.81
Europe (939)	149.62	+1.5	116.63	128.01	119.26	118.39	+1.2	3.96	147.44	115.23	126.29	117.79	116.93	167.65	124.61	136.25
Nordic (110)	195.89	+1.1	152.69	167.60	156.12	154.65	+1.0	2.05	193.75	151.42	165.95	154.77	153.13	223.29	165.56	189.43
Pacific Basin (650)	138.61	+0.3	108.04	118.59	110.47	119.22	+0.2	1.05	138.26	108.05	118.42	110.44	119.03	192.75	107.82	160.03
Euro – Pacific (1589)	143.47	+0.8	111.84	122.74	114.34	116.75	+0.5	2.30	142.37	111.27	121.93	113.72	119.00	174.18	116.03	150.76
North America (642)	151.63	+1.9	118.35	129.92	121.03	150.31	+1.9	3.22	148.94	116.40	127.58	118.99	147.45	151.83	119.26	137.02
Europe Ex. UK (643)	128.01	+1.3	98.78	109.54	102.06	103.22	+1.1	3.26	126.41	98.80	108.30	101.00	102.14	145.62	106.85	127.29
Pacific Ex. Japan (197)	131.77	−0.2	102.72	112.76	105.04	117.51	+0.0	5.16	132.03	103.19	113.11	105.48	117.55	146.72	111.40	131.08
World Ex. US (1777)	144.26	+0.8	112.45	123.44	114.98	120.39	+0.6	2.35	143.12	111.85	122.59	114.33	119.62	173.77	117.12	151.05
World Ex. UK (2007)	142.17	+1.2	110.82	121.64	113.32	129.01	+1.1	2.37	140.54	109.84	120.39	112.28	127.63	162.00	115.37	144.58
World Ex. So. Af. (2243)	145.82	+1.2	113.51	124.80	116.07	130.44	+1.1	2.65	143.87	112.44	123.24	114.94	128.99	161.84	118.04	144.59
World Ex. Japan (1850)	150.99	+1.7	117.69	129.19	120.36	136.57	+1.8	3.59	148.50	118.06	127.21	116.65	134.45	151.59	124.31	137.34
The World Index (2303)	145.98	+1.2	113.79	124.90	116.36	130.52	+1.1	2.86	144.22	112.71	123.53	115.21	129.07	162.05	118.33	144.91

Latest prices were unavailable for this edition.